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# INTERSTATE BUS SERVICE

## HEARING

BEFORE THE

SUBCOMMITTEE ON SURFACE TRANSPORTATION

OF THE

## COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

SECOND SESSION

ON

INTERSTATE BUS SERVICE

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AUGUST 25, 1988

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# INTERSTATE BUS SERVICE

THURSDAY, AUGUST 25, 1988

U.S. SENATE,
SUBCOMMITTEE ON SURFACE TRANSPORTATION,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
*Omaha, NE.*

The subcommittee met, pursuant to notice, at 9:35 a.m., in room 2404, Federal Building, 215 North 17th Street, Hon. J. James Exon (chairman of the subcommittee) presiding.

Staff members assigned to this hearing: Robert Holleyman, staff counsel; Sheryl Weber Washington, professional staff member; and Alan Maness, minority staff counsel.

## OPENING STATEMENT BY SENATOR EXON

Senator EXON. The subcommittee will please come to order. I would note to all in the audience that we have no smoking signs very prominently displayed in this place. In the Capitol Building, the chairman of the committee or subcommittee can make his own rules, but I cannot and have no authority here in the Federal Building in Omaha. So we will all have to make the sacrifices that are obviously necessary with the new laws that are in effect today. We're going to move right along.

We have several important witnesses today and I am looking forward to their testimony with keen interest as I know my colleagues are and I am so pleased that our member of the committee, Senator Pressler of South Dakota, was able to join us this morning and also my friend and colleague, Senator Karnes, is here. And we will hear from him first when we begin the panels.

This morning the Surface Transportation subcommittee is holding a hearing on passenger bus service. We intend to focus on interstate and intercity bus service, particularly as it relates to rural America. It is particularly appropriate that the Congressional field hearings follow a two-day national conference on reconnecting rural America.

During that conference a structural change was needed and constraints associated with rural intercity passenger transportation were explored. We, therefore, begin today to seek renewed propositions for joint federal, state, and private business initiatives to help solve the evident problem.

Today we focus specifically on the adequacy of existing passenger bus service, the prospect for continuation of service, and the need for federal or state funding to ensure continued service. During the past decade bus ridership declined nationally from 240 million passengers in 1973 to 158 million in 1983 and down to only 49 million

in 1986. Some factors related to the loss of ridership include lower air fares, stable gas prices, and the increase in automobile ownership. There is no doubt that rural America also has been affected by the operation and structure of the business industry since enactment of the Bus Deregulatory Reform Act of 1982. By utilizing market freedoms under the 1982 Reform Act, carriers discontinued many unprofitable routes. And smaller carriers have established service in some areas where demand still exists.

At this juncture it is important, I think, that we discuss the impact that the loss of intercity bus service has had on rural communities. We also intend to explore strategies designed to utilize existing community transit systems to bring passengers from rural areas into hub cities, such as the rural connection program initiated originally by Greyhound and others.

Additionally, we plan to examine the role of regional carriers and the role that they play in sustaining service to less-populated areas as well as the review of the relationship between national transportation policy and rural transportation needs.

The witnesses scheduled to testify should be able to provide us with information necessary to address these issues and help us respond to the need for greater equity in federal transit assistance as it relates to the transportation services essential for growth and health of rural communities.

During the course of today's hearing, we will hear from three panels. The first comprised of federal government representatives including John Hennigan of the Interstate Commerce Commission, Mr. Martin Fitzpatrick of the Office of Transportation at the Department of Agriculture, and Brien Benson of the Urban Mass Transportation Administration at the Department of Transportation.

Our second panel of state witnesses is comprised of Chairman Daniel Urwiller of the Nebraska Public Service Commission and Lawrence Harman of the Massachusetts Office of Technology representing the American Association of State Highway and Transportation Officials.

The third panel representing the Transportation providers includes Fred Currey of Greyhound, Gayle Hook of Jefferson Lines, and Charles Busskohl of the Arrow Stage Lines and Black Hills Stage Lines.

Representing the views of the transportation users will be Mr. David Raphael of Rural America. We are pleased to welcome all of you to Omaha this morning. And I will now call upon my friend and colleague and member of the Commerce Committee and a member, a very valued member of the Surface Transportation subcommittee, Senator Pressler from Nebraska. And following that we will hear from my friend and colleague Senator Karnes. Senator Pressler.

## OPENING STATEMENT BY SENATOR PRESSLER

Senator PRESSLER. Good. Thank you very much, Senator Exon. And I want to say you've given me a promotion as the Senator from Nebraska. Do they get paid more up here?

Senator EXON. No. But we have more people volume per spot here.

Senator PRESSLER. I see. I am Senator Pressler, the Senator from South Dakota. I am very interested in this. I want to commend you for holding this hearing. I know you have had a lot of interest, and also my colleague, Dave Karnes, has shown great interest in the problems of small and intercity transportation. And I look forward to hearing his statement.

I shall make my opening statement for the record and shall summarize my thoughts here so that we can hear from the witnesses.

Senator EXON. Without objection, the full statement will be included in the record.

Senator PRESSLER. Let me say I had the privilege last night of addressing the Reconnecting Rural America Conference. I think we are at a period historically when we are taking a look at all this deregulation legislation which passed Congress in the late seventies and early eighties. We now realize that we are going to have to provide some changes in airline service, bus service for passengers and rail service.

The word "deregulation," which was so fancy in the late sixties and seventies and early eighties, has now been dropped. Now that we have deregulated transportation, we realize there are some problems that we have to deal with.

One of the problems is what is happening to scheduled bus service between smaller cities. Now, it is true between big cities perhaps there are more carriers. But I had to beat out of the ICC a report which showed that the bus service in small towns has really dropped off dramatically since the Bus Deregulation Act passed. So there is that aspect to it also. In our Federal Highway Bill, 32 states get none of the money for urban mass transit or the equivalent of it. That is an area that we have to think about.

But what is happening out there, whether it is Upstate New York or parts of rural California or Nebraska or South Dakota, there are two groups in particular that are hurt. One group is the elderly, the aging who need scheduled bus service. The other group is small businessmen who need to be able to travel to other places but also to be able to move parts and equipment and supplies. I serve on the Senate Committee on the Aging and have taken a great interest in the effects of these changes on the elderly.

In fact, this morning I had the privilege of visiting an Alzheimer's center here with Senator Karnes, one of your fine medical facilities. But the aging are very much in need of public transportation of some sort. And a larger percentage of elderly people live in rural areas than in urban areas. Everybody doesn't move to Florida when they get old. A lot of them stay in small towns in Nebraska and South Dakota. In fact, 15 percent of our population in South Dakota is elderly. And that is certainly something that we have to consider here.

Now, I do not come here waving any federal money because we have a big federal deficit. And I think it is irresponsible for a federal senator to imply there is going to be big federal grants. But there is a concept of cooperation: cooperation of the federal government, the states, the counties, the church groups, in the use of vans in a creative manner. I know that Greyhound has done a lot in

that area of cooperation with different levels of government to provide transportation.

In my statement I go through how much deregulation has affected South Dakota. And how to fly between two of our major cities, Aberdeen and Rapid City, you pay as much as you would for a flight across the entire continent and so forth. We have lost a lot of bus routes in South Dakota. We still have a lot of fine ones which we want to expand upon.

But I think that this hearing and the conference that was held here is a historic occasion because it is part of a turn in the thinking about public transportation.

In the 1930s we thought when all the regulation laws were passed, we thought of it as a common carrier responsibility. You got some rich routes and poor ones. If you have some rich routes, you would develop some poor ones over here and some less profitable ones over here.

Now, everybody goes to the most profitable ones, and they have all kinds of coupons and super-savers and so forth on those routes. And the other ones are just left, are shunted aside.

So as a matter of public policy in transportation, we are at the crossroads. We are through the deregulation era here. We do not hear about deregulation so much, and we are starting to realize that in the areas of airline and bus and train transportation we are going to have to do something to take care of those folks out there who are trying to carry out business, who are in the smaller cities or towns or indeed even those living in the intercity. Something is happening in communication. The deregulation pendelum is having a swing back. An example is in Washington, D.C. where the intercity does not get cable TV, you do not get certain services that the suburbs get.

There is kind of an analogy of the intercities and the rural areas and some of the problems that have sprung up. So this is a very important hearing. Its results will be taken back to Washington, and it will be widely discussed.

And I want to congratulate you, Senator Exon, for calling it and, Senator Karnes, my colleague for making such a contribution.

[The statement follows:]

OPENING STATEMENT BY SENATOR PRESSLER

Mr. Chairman, I thank you for scheduling this field hearing this morning. Having just concluded a major national conference on Rural Intercity Passenger Transportation, I think this hearing will be an important step toward continuing a dialogue about reconnecting rural America. My friend and colleague from Nebraska has been most cooperative in bringing the Surface Transportation Subcommittee to his state of Nebraska. I will make my opening remarks brief so today's witnesses have ample opportunity to testify this morning.

Last night was the final night of a three day conference entitled "Reconnecting Rural America" that brought officials from state and local governments, federal agencies, and private organizations to Omaha to discuss a national strategy for developing rural intercity passenger transportation.

During my address to the conference last night, I tried to paint an accurate picture of what is happening in the rural areas of South Dakota, Nebraska, and elsewhere.

Over one million people moved out of rural America in 1987 because of better opportunities in urban areas. That's five times the level of out migration in the 1960's.

Economic development prospects in rural America are at a disadvantage because of a lack of access to major transportation networks.

Senior citizens, who make up almost 15 percent of the population in rural areas, need to be mobile in order to obtain quality health care and other services.

Our task today is to try to understand why the level of transportation service has declined and what we can do to improve the situation.

The deregulation of the transportation industry has not been good to rural America and I opposed the deregulation legislation as it worked its way through Congress.

Deregulation has led to a serious decline in the level of transportation services to rural America.

There are several examples of how deregulation has affected South Dakota. If you plan to fly from two major South Dakota cities, plan to pay as much as you would for a flight across the entire continent.

But we're here today to discuss passenger bus service. Unfortuntately, the situation isn't any brighter for rural America. Since the Bus Regulatory Reform Act of 1982, South Dakota has lost four bus carriers and ten bus routes with service to 40 communities.

However, there are many innovative things being done that I hope will be highlighted during this hearing. We should not look at this current situation with a "doom and gloom" attitude, but rather with an optimistic eye on possible opportunities.

Opportunities exist to benefit the bus industry and rural Americans. Together, we can maximize these opportunities through cooperation.

The National Conference on Rural Intercity Transportation was a first step toward this goal. Today's hearing is a second step.

Mr. Chairman, I again thank you for your willingness to hold this field hearing. I look forward to hearing from our witnesses today.

Senator EXON. Thank you very much, Senator Pressler. Senator Karnes.

## STATEMENT OF HON. DAVID KARNES, U.S. SENATOR FROM NEBRASKA

Senator KARNES. Thank you, Mr. Chairman. And I am pleased to have two of my good friends and distinguished colleagues from the Senate here in Omaha today for this very important series of hearings.

I am pleased to have the opportunity to address today's hearing on the critical issue of rural development, rural transportation development, and the vital role that transportation services can provide for rural America in the future.

We are all here because of our concern for maintaining and improving local transportation services. But the principal issue here is very simply people. It is their need for access, both within and outside of their communities, that drives our pursuit for safe, efficient, and available transportation services.

Since it is estimated that approximately 96 percent of the areas that provide mass transit service do so through bus transit only and about 70 percent of all transit passenger trips in this country are provided by bus, it is fitting that today's hearing on interstate and intercity passenger transportation is focusing on bus service and its availability across and in rural America.

Reliable transportation services are critical to the social development of Nebraska's communities and to the continued business growth and business opportunity across this state of ours.

And I expect that the testimony presented at these hearings will reflect the concerns within Nebraska, in particular, caused by what many perceive and actually agree are inadequate levels of passenger bus service. This is a very real concern to all of us in Nebraska.

But there is no single entity that we can point our finger at and blame for the situation.

Like most successful public projects, the answer lies in a coordinated effort among federal, state, and local officials to forge a plan for the future. The cost-sharing arrangement that currently exists between the federal, state, and local levels for rural transportation programs has obviously not provided the ultimate solution to this problem.

There are still people who live at the mercy of a static van schedule. Or in the cases where vans rarely serve a particular town, they must rely on their neighbor for access to local needs.

The severity of the problem in rural areas is demonstrated in the Federal Highway and Mass Transit Appropriations Bill that recently passed the Senate. Funding grants for bus service including planning projects, operating assistance, and capital expenditures amounted to over $1.7 billion. But only 2.9 percent of this or approximately $52.8 million was earmarked for nonurbanized areas. While these funding levels are based to a degree on population density, it is no wonder the rural residents are in a desperate situation.

The experience of the Black Hills Stage Lines which serves western Nebraska and which was rescued last year through the help of additional federal funding to continue its service for another year serves as a very good example of what this disparity of federal bus funding can result in.

Without the additional funding of approximately $50,000 from the Urban Mass Transit Administration under a program dedicated to innovative techniques, the nearly 9,000 passengers that use this service annually would have lost this vital transportation service. Thanks to the efforts of a number of people in Congress and a group of dedicated state officials, particularly here in Nebraska, the Black Hills Line had the opportunity and the funds to study its service and identify ways to operate more efficiently, economically, and avoid the shutdown that seemed almost inevitable a year ago.

Current bus service levels across the state of Nebraska indicated a commitment at the local level to maintain and improve service. But there are still many milestones to pass before residents, particularly rural residents, can feel secure in their ability to rely on local bus service. And this security is critical when we consider the many rural residents, particularly the elderly and handicapped, that rely on local bus service to get to some very basic needs like the doctor, the grocery store, or even the local senior center.

In 1987 rural and small urban areas of Nebraska were served by 115 vehicles including small handivans which traveled nearly 1.7 million miles during the year and boarded nearly 640,000 passengers. By contrast the heavily populated Lincoln and Omaha areas were served by 265 vehicles which traveled nearly 6.6 million miles with nine million passengers.

Since 1975 when the Nebraska Public Transportation Assistance program was enacted to help fund bus services, we have seen dramatic changes. As a result, the change in ridership has been very significant in rural and small urban areas in the state increasing since 1975 from 317,000 passenger boardings to 1.7 million passenger boardings in 1987.

In contrast, in the urban areas, ridership has fallen during the same period of time from 12.1 million passenger boardings to nine million in 1987. So these facts in and of themselves indicate that there is a real demand as well as a need for bus service in rural parts of Nebraska.

Indeed it demonstrates a growing dependency on local service. And while our state, the state of Nebraska, has come a long way toward meeting these needs, it still has a long way to go.

The State Transportation Assistance program, of which I just spoke, was established primarily to help the elderly and the handicapped, many of whom live in rural areas. And this is still a problem. The various handivan services across the state have contributed a great service for members of small communities. But with inadequate funding, these services will have a problem surviving.

The answer, I believe, does not lie only at the federal level; and it also involves the state level. For currently funds are being provided through the state of Nebraska for 51 local bus systems.

I have seen recent developments among private enterprises that could provide the first step for creating a true public/private partnership to alleviate the current busing problem in the state. The Greyhound Bus Lines have recently offered new incentives within Nebraska, and we will hear more about that today to increase their ridership on city-to-city bus service.

I will leave the details of that program to Fred Currey and some of the people that are here from Greyhound who will be participating in the hearing.

With the input from public officials and local representatives across the country in such forums as the National Transportation Conference that was held in Omaha yesterday, we are on our way to identifying, I hope, a national solution to the transportation problems that face rural America. Not strictly through the state efforts, not strictly through the federal efforts, but through a combined effort.

And I believe that local input is essential for developing a national plan. And that commitment at every level, again, local, state, and federal, is necessary to get a new transportation strategy off the ground.

It is common knowledge that rural areas of our country have experienced a decline in population over the years, and Nebraska has not been immune to this out-migration. In fact, out of Nebraska's 93 counties, only 24 have experienced a growth in population between the years of 1980 and 1986. And the growth in those 24 counties has been only one percent. Many people admit that the greatest problem with rural areas is they are inaccessible, and this means not only rail and air, but also bus.

Mr. Chairman, the nearly 10,000 miles of highways on our Nebraska state road system and the 86,000 miles of roads in the county and city systems make it clear that we have the infrastructure in place for better bus services in our state. I have already talked about the increase in passenger boardings in the rural areas.

So I believe it is obvious that our state would be among those states that could benefit greatly from a new comprehensive national transportation plan, which I hope will ensue from hearings of

this nature and I know your personal commitment as well as that of Senator Pressler to revitalize rural America's transportation systems.

Senator Exon, the Chairman of the subcommittee, I thank you for holding this hearing today. I compliment you for your continuing interest and commitment to finding effective, cost-effective solutions to these challenging rural transportation problems. And, of course, I remain ready to assist in whatever way possible.

Thank you for the hearing today and the opportunity, Jim.

Senator EXON. Thank you very much, Senator Karnes. And we would invite you to stay here, not as a member of the committee, but you are a member of the United States Senate. And we are delighted to have you here at the table and ask any questions, depending on what your schedule allows you.

Senator KARNES. Thank you. I appreciate that.

Senator EXON. I appreciate your statement. Before I call on the witnesses, let me try to lay to rest some concerns that I think cloud the horizon on meeting the transportation needs of all America.

In the first place with regard to money, I would agree with the statement by my colleague, that we do not come here with a bag of money that we can hand out. But there is a big bag of money that comes out of Washington each year in the form of a trillion dollar budget. Now, therefore, we are talking about setting priorities within that budget.

And in addition to this chairmanship, I chair the Strategic Deterrence committee of the biggest spending element of federal government, that is, national defense. While I fight like a tiger to do what I think is necessary for national defense, I guess a few million dollars to keep rural transportation needs going, including bus transportation, is a must. And, therefore, I think we should concentrate on what the priorities are in that budget.

With regard to deregulation, there has been a lot of pain with deregulation. But in my view, the pain has been greatly enhanced by what deregulation basically has done for the traveling public as a nation.

Certainly all you have to do is ride on the airlines today and recognize that deregulation overall has been a good thing. It does not mean that there has not been some unfairness and with that we must revisit what it was that the government intended to set up during the days of total regulation of the railroads, of the buses, of the airlines, with regard to all transportation. It was basically, I suggest, to have a transportation system for America. Not a transportation system just between Chicago and New York or New York and San Francisco or even Omaha and Chicago and Omaha and Denver.

Therefore, I think that while deregulation has been good, I think the federal government indeed has a responsibility to fulfill harkening back to the days of yesteryear when everybody in America within reason should be afforded some type of service.

Therefore, that is why the federal government came in when airlines were deregulated with the so-called essential airline service.

And I was the author of the bill that just passed the Congress last year and finally signed into law with the President which extends that for a number of years. Why? Because we knew that with

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deregulation, some of the smaller areas of the country, population-wise, were going to be hurt. Therefore, we cushioned that blow with essential air service. Likewise with regard to rail passenger service.

There has been a lot of criticism of Amtrak, but Amtrak plays a very vital role in providing some competition and providing some service that would not otherwise be provided with our extensive Amtrak facility around the United States. It is not as big as we would like to have it, but as big as we can afford.

Likewise, if there has been a shortfall, in my opinion, it is a lack of federal funding and perhaps cooperation that we have had and not pointing the finger at anyone by not recognizing the role that bus service plays to a critically large rural sector of this country, Nebraska and many other states.

Therefore, I would say that I hope that I have tried to put this all in perspective. And one thing that I would caution against is the representatives of rural America and the various transportation modes that serve rural America are starting to fight among themselves.

I noticed a comment in the newspaper this morning and one of the participants in the last few days' hearings being critical of essential air service.

Essential air service is not the same thing as bus service. Essential air service is something that provides larger communities more than many of the smaller communities that provide bus service. It has everything to do with essential air service, to do with industrial development in many of these cities that have industrial development potential. You are not going to get very many industries indicating an interest in a small community if they have no airline transportation.

So, therefore, I suggest there is enough room in the overall federal budget to provide some reasonable level of federal assistance. That has to be combined, in my opinion, with even more interest in appreciation and funding of bus service from the local levels.

And if there is one thing that I would suggest to those of us who are trying to get a broader range of support, it is to take a page out of the book of the essential air service program that was essentially passed by the Congress because a group of mayors representing cities that were being adversely affected by airline deregulation got together and formed a coalition.

That particular coalition during the essential air service extension program that I authored was headed by Mayor Don Overman of Scottsbluff, Nebraska. If we could get the mayors interested, the cities involved because they, too, have a role to play in providing transportation for their local communities. It is not just the federal government. It is not just the state government. It is not just the free enterprise system and the providers that are trying to do a reasonable job, in my opinion, it is also the local governments that have to be involved in this, at least in an organizational effort to try and explain what the proposition is. Once we have that kind of backing across America, then I think we can better attack what needs to be done in further legislation, if further legislation is necessary in this area.

But now since we are starting on the problem of what we do about this, specifically, let me call on our first panel.

Mr. John Hennigan, Director of the Office of Transportation Analysis, the Interstate Commerce Commission; Mr. Martin Fitzpatrick of the United States Department of Agriculture, Office of Transportation; and Mr. Brien Benson, Associate Administrator for the Budget and Policy, U.S. Department of Transportation, Urban Mass Transit Administration from Washington, D.C. Gentlemen, thank you very much for coming out to Omaha today. We welcome you. You heard at least the concerns of three Senators. And I think that all or most of you were involved in the forerunner to all of this, the important meeting that sought answers to this problem. I thank you for coming and welcome you at this time.

Mr. Benson, we will start with you.

## STATEMENT OF BRIEN G. BENSON, ASSOCIATE ADMINISTRATOR FOR BUDGET AND POLICY, URBAN MASS TRANSPORTATION ADMINISTRATION, DEPARTMENT OF TRANSPORTATION

Mr. BENSON. Thank you, Senator. I certainly appreciate the opportunity to present the perspective of the Urban Mass Transportation Administration on this very important subject. I thank all of you.

In your opening remarks you have very well detailed and explained the scope of the problem that we are facing, the problem of isolation of certain individuals. The declining demand for bus service, which makes previous bus routes no longer economically viable, is due to a number of factors, many of which you pointed to, including the success of airline deregulation, the success of economic policies which have brought automobile ownership into reach of more and more Americans.

But I think what we need to focus on this morning is where we go from here and how to identify and make sure that those lifelong services that we all want to see continued are made available.

I had the privilege last night of introducing Senator Pressler before the concluding banquet of our seminar at our conference. And the Senator I think, presented us all with an excellent challenge as to how to proceed.

His challenge included three specific elements which I would like to take the liberty of repeating.

The first, he cautioned us not to overpromise what the federal government can fund.

The second, he cautioned us to be realistic about what services can be provided in the future and not to imagine that it is sensible to continue to provide 46 passenger over-the-road large coach service when only one or two passengers may be picked up.

And third, he underscored the importance of a public/private partnership in the provision of services, needed services in the future.

And I believe that UMTA's approach is very much consistent with those three guidelines.

One of the most exciting responses and one which has been mentioned already is the so-called rural connector program which is a

joint project between Greyhound and rural providers, both private non-profit and public.

We see the rural connector program as a win/win program, a program that seeks to increase ridership on both intercity lines and on intracity systems through coordinated scheduling, ticketing, marketing, advertising, and, in some cases, even station construction.

Already the rural connector has been formally inaugurated in nine states, and inauguration in a dozen more states is due soon. I might say that I had the opportunity to have a very good discussion this morning over breakfast with Mr. Currey about other opportunities for joint cooperation between the public and private sector with UMTA support along those lines and along some other imaginative lines. So I do feel and I do want to underscore that we at UMTA are strongly committed to a public/private-partnership approach to solving many of our problems.

Now, would that the rural connector approach, which seeks to make routes that are currently marginal continue to be economically viable, would that that were applicable in all cases. Unfortunately, as we all know, it is not. Unfortunately, there are some routes where the ridership levels are just so low. Fare box recovery rates may be as low as 5 to 10 percent, and there is no way in which in the foreseeable future these could be made economically viable. As a result, we do face the prospect of abandonment of additional routes which we all must be concerned about.

The question here Mr. Chairman, as you indicated, is that we should continue to look forward. We cannot look back. But what we do need to think about is how we can cushion the blow.

I am pleased to say that at the Urban Mass Transportation Administration we are currently negotiating with the states of Colorado and Kansas to address the problem of possible abandonments. And we believe it is possible to craft, from the federal perspective, some private sector capital support demonstration projects that could help to take up this slack.

It is premature to discuss the details of these arrangements, but I would like to emphasize that what we are talking about is not an ongoing operating subsidy from the federal level but rather capital assistance demonstration grants designed to encourage private sector entrepreneurship to look at creative, imaginative approaches to filling these new transportation gaps.

Typically we might expect such projects to include innovative pricing. One idea that was discussed would be a subscription service along some of the less-used lines.

Secondly, perhaps innovative route structure frequency. Finally, alternatives to typical over-the-road large coaches. There are three specific UMTA programs which are designed to encourage private sector participation in the provision of transit service, all of which we think could be directly related to the rural intercity issue.

First is our entrepreneurial service which is designed to encourage what could become self-supporting transportation services.

Second is our competitive services program designed to encourage public transit authorities to contract out to private providers. And finally is our joint public/private finance development program designed to encourage partnership capital projects.

One final initiative that we are taking that I would like to mention is that we have a coordinating council including the Departments of Health and Human Services, the Department of Agriculture and the Veterans Administration designed to see how we can use federal resources, from federal transportation resources to the social service sector, in a more coordinated fashion.

We have moved ahead on this. We have already completed a study identifying barriers to coordination, one of which involves the insurance issue. And we are coming up with proposed suggestions there.

We are going to be developing through this coordinating council a best practices manual. And we at UMTA have given a grant of $100,000 to some of the southeastern states consortium to encourage a joint coordinating plan among the agencies.

Finally, we are exploring the possibility of whether our so-called 16(B)(2) funds which are, if you will, a special services transportation fund could be made available on a users-side subsidy basis or consumer-choice subsidy basis so that the disadvantaged individuals, the isolated individuals who we have been talking about, might themselves be in a position of being able to select that mode of transportation that would be most effective and useful to them.

I certainly thank you for your attention and the opportunity to present our perspective. And at the appropriate time, I would be delighted to entertain questions.

[The statement and questions and answers follow:]

STATEMENT OF BRIEN G. BENSON, ASSOCIATE ADMINISTRATOR FOR BUDGET AND POLICY, URBAN MASS TRANSPORTATION ADMINISTRATION ON RURAL INTERCITY PASSENGER TRANSPORTATION

Mr. Chairman, my name is Brien G. Benson. I am Associate Administrator for Budget and Policy, the Urban Mass Transportation Administration. I am very pleased to testify before you today on rural intercity passenger transportation and some of the steps we are taking to ensure that this part of the Nation's transportation system continues to provide mobility options for all Americans.

First, let me say that we believe very strongly in the role of the private sector in transit, particularly in intercity transportation. However, we are also very concerned about the service abandonments due to the very low levels of utilization on certain routes. We believe that it is critical for many of these rural areas that some form of mobility option remain for those without access to transportation to medical care, to shop, and for other purposes that the intercity network provides.

We believe that the most appropriate response is one that relies on increased public/private cooperation to see that service is continued, by the private sector, on a profit-making basis. We have a number of programs and projects which are designed to facilitate such public/private cooperation.

First, however, let me describe the Urban Mass Transportation's basic programs of assistance for transit in rural areas. Before doing so, I also want to point out that the Department of Health and Human Services provides funding for transportation of clients to social services in both urban and rural areas. The most important UMTA rural program is that authorized by section 18 of the Urban Mass Transportation Act. This program provides formula assistance to the States for rural transit captial and operating expenses. Over the last several years, appropriations for this program have averaged about $65 million per year. These funds are allocated to the States based on rural population. The States are then responsible for allocating these funds to local rural operators based on their submissions to the States. Most funds are used for local rather than intercity operations, although several States have provided some assistance to specific rural intercity routes.

A related program is that authorized by section 16(B)(2) of the Urban Mass Transportation Act. This program provides capital assistance to private, non-profit organizations for service to elderly and handicapped persons. This program has averaged about $35 million per year over the last several fiscal years. Funds are allocated to

the States based on their elderly and handicapped population. These funds are then provided to local social service agencies for acquisition of vehicles or other capital assets. Many of these agencies are in rural areas.

While these programs provide a basis of support for rural transit, the program levels are fairly limited, and the funding is in heavy demand by the existing local rural and specialized operators already participating. Thus, these programs cannot be expected to provide a significant source of funding to help replace lost intercity service. Rather, it will be up to the States and local governments to use other resources, particularly the private sector, to orchestrate a response. We have established several programs in our demonstration effort to facilitate such responses.

The first is our entrepreneurial services program. The intent of this program is to help entrepreneurs get services started that can be self sustaining by means of fares or client groups that will support the service because it benefits them. So far, entrepreneurial services show the most promise in areas where transit service is scant or ineffective, particularly in the suburbs and inner-city neighborhoods. UMTA is, however, also looking at certain rural markets which might benefit from this program.

Entrepreneurial services are emerging from several sources:

Neighborhood groups and other non-profit organizations, business community organizations, conventional bus and taxi operators, units of local government, and even local transit authorities looking to meet some unmet need they can't afford to serve.

Entrepreneurial services include inner-city to suburb reverse commute services, local suburban or city circulation services, as well as more familiar commuter express services and a variety of paratransit services, including rural services.

UMTA will help by making discretionary section 6 or 8 funds available to help develop the business and marketing plans for services and for administrative and other start up costs. UMTA will also use discretionary section 3 funds to help entrepreneurs make payments on their vehicle purchase or lease arrangements during the initial start-up period.

We have already received applications from a number of rural areas and intend to fund such projects as:

1. In Orangeburg, SC, where a minority entrepreneur will be carrying students and community residents between the shopping center, dormitory and two colleges. The entire operating cost, once started, will be paid out of the fare box by those who will benefit from the service.

2. In Minnesota, where the State will assist with marketing and other services in the start up of privately operated rural intercity service.

3. In Cape May County, NJ, where a private operator will provide service from a number of rural communities to a major regional shopping center and community college in an adjacent county. This service will augment local intra-county rural public transportation and will have coordinated schedules. The UMTA assistance will be used to provide up-front capital assistance to lease the needed vehicles.

A second program which may provide useful information for those attempting to establish replacement service is our competitive services demonstration program.

UMTA has sponsored a number of demonstrations aimed at introducing competitive contracting for mainline urban transit services. Major competitive contract demonstrations have been undertaken in Los Angeles, New Orleans, Cincinnati, and Miami. The results have been very encouraging. In Los Angeles, the average savings is about 40 percent, with one contracted service being almost 60 percent less expensive than that provided by the local transit authority. In Cincinnati, savings are about 28 percent while cost differences in New Orleans are 33 percent.

While UMTA support may vary from demonstration to demonstration, UMTA typically offers to support the administrative costs of the demonstration and to underwrite 75 percent of the capital costs involved. While UMTA does not support direct operating costs involved, demonstration sites have received preference for additional discretionary capital funds for other worthwhile projects.

State DOT's can help identify sites for competitive service demonstrations and to join us in funding such activities. This approach may be the most sensible where States are interested in developing alternatives for replacing lost intercity service.

In direct response to the problems of rural intercity passenger transportation we have embarked on a series of rural intercity bus abandonment service replacement demonstrations. In this effort, UMTA is initiating demonstrations aimed at developing competitive alternatives to the existing intercity bus service. This may involve substituting a less expensive bus operator who can make a profit or instituting services involving smaller vehicles which can likewise be profitable.

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These represent hybrids involving elements of the competitive and enterpreneurial approaches. UMTA assistance will cover the capital costs of the service for a specified period, as in the entrepreneurial program. The States will competitively select the operators, who will be expected to develop self-supporting services. UMTA is working with Colorado and Kansas to get these demonstrations underway by the end of the year.

We are also very excited about the rural connection program. We believe that this cooperative approach, between the rural public operators and Greyhound, represents the best model for public/private cooperation and will go a long way to meeting important needs. We strongly support this initiative and have provided funding to the national association for transportation alternatives to assist in getting these efforts moving. I will not repeat the details of this program which will be covered in the testimony of representatives of Greyhound lines.

Mr. Chairman, this concludes my prepared statement. I will be happy to answer any questions you may have.

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QUESTIONS OF SENATOR EXON AND THE ANSWERS THERETO

SERVICE TO SMALL COMMUNITIES

*Question.* Mr. Fitzpatrick has testified that in the first four years following deregulation of the bus industry in 1982, some 4,500 points lost all or part of their intercity bus service. Seventy-five percent of the communities losing service had populations of 10,000 or less. Would you comment on this and what it means for travelers in these markets?

Answer. First, I believe this is a reliable estimate of the number of points losing service. However, many of these points were in fact only flag stops, or points which had only one or two buses per day, sometimes at very inconvenient times. Thus, the number of users losing service was probably fairly small. And, it is clear that without deregulation, the bus industry might have had to reduce service even further to make up the losses caused by being forced to continue unproductive service. Nevertheless, the loss of service in many cases did represent the only common carrier service available in many small towns. Thus, it could have represented a significant problem to travelers and users of bus package express service who would now be forced to travel some distance to use intercity service. For this reason, we are concerned about these losses and have embarked on our efforts to ameliorate the changes through support of the Greyhound Rural Connection initiative and in working with several States to demonstrate how replacement service can be provided at limited cost to the taxpayer.

PREEMPTION OF STATE DECISIONS

*Question.* What are the relative expenditures under UMTA's Section 18 program for intercity transportation as compared with strictly local operations?

Answer. Nearly all of the Section 18 funds have been used for local rural transportation. Only a small number of States, notably North Carolina and Michigan, have used Section 18 funds for intercity services or facilities. States are given wide discretion to use these funds, without interference from UMTA. In fact, the guidance we issued on use of Section 18 funds for intercity service merely reminded the States that such service was eligible in the Section 18 program.

Senator EXON. Thank you very much, Mr. Benson. We will continue with the rest of the panel now and then ask the questions of this panel after we have had the testimony from all of them.

I would simply say that the written statements that have been submitted by these three witnesses and written statements by the other witnesses that will follow, those statements are accepted in full and will be printed in the record without objection.

And with that statement, I'm very pleased to call on you, Mr. Fitzpatrick, for your summation of your written statement.

**STATEMENT OF MARTIN F. FITZPATRICK, JR., ADMINISTRATOR, OFFICE OF TRANSPORTATION, U.S. DEPARTMENT OF AGRICULTURE**

Mr. FITZPATRICK. Thank you, Mr. Chairman. I welcome this opportunity to present the committee with the results of our cooperative efforts addressing rural intercity passenger transportation.

The joint activity has involved USDA's Office of Transportation, DOT's Urban Mass Transportation Administration, and the United Bus Owners of America. USDA's involvement in rural transportation began about the turn of the century with a road building program to give access to rural America. Over the years new roads and bridges plus the evolution of affordable transportation have led to impressive improvements in mobility and transport efficiency.

Today, many rural residents assume and expect the providers of intercity transportation to be available when needed. In short, they have the same access and mobility expectations as urban residents. I believe that deregulation has generally worked well for America. There needs to be some tune-ups and some programs to address problems in rural America.

The rural scene is changing, Mr. Chairman, and it appears to be a permanent change. We have observed the structural shifts in both U.S. population and the economic base. Shifting settlement patterns, production, and the mobility associated with our nationwide integration of economic activity and international trade are impacting on the transportation system serving agricultural and rural communities.

Also, adjustments are being made as a result of a partial or completely deregulated transportation industry: air, rail, truck, and bus. The net benefits of deregulation are widely acknowledged, as I mentioned. But the impact to much of the rural economy is the singular dependence upon the roads for access and the elimination of public transportation altogether in the more isolated areas.

USDA is helping to ease the transition that is taking place in the rural economy through a six-point rural regeneration initiative which began about two years ago.

First, it places additional emphasis on education of state and local leaders. It calls for the formation and activation of action teams to assist in business development, job training, financial management, and transportation concerns. Establishes an information clearinghouse through the county extension office. Puts greater emphasis on rural economic development in the Department's research efforts. Directs Farmers Home Administration to make loans more accessible to rural communities. There is a program through Farmers Home, for example, that is entertaining a proposed rural transit investment fund. We are confident that the Farmers Home Administration will adequately fund that program.

Lastly, the rural initiative also provides for coordination of the overall rural regeneration efforts by the Department's deputy secretary, Mr. Peter Myers.

The Office of Transportation is leading a rural intercity passenger transportation effort to address the broader mobility needs of rural residents. This effort complements the Department's rural regeneration initiative. We are working with the United Bus Owners

of America and others throughout the government—in DOT and HHS and many other agencies—to find workable long-term solutions to the serious cutback in rural intercity bus service.

I must say this work includes bipartisan support along with the public and private sectors, as Mr. Benson pointed out which is very important for a long-lasting solution to these problems.

To illustrate the importance of the situation, the Interstate Commerce Commis on found that about 4,500 points had lost all or part of their intercity bus service by 1986 compared to pre-deregulation level of service.

The loss of bus service really hurt rural America since more than 3,400 of the communities losing service had populations of 10,000 or less.

Isolation, either partial or complete, also meant lost package service to the farm suppliers and other local businesses and the hospitals. In addition, these fragile communities are less able to attract or hold industries.

During the last year a new effort has begun to reconnect rural America. Recognizing the local and intercity passenger service offered by a variety of transportation providers throughout the country and addressing the transportation needs of rural residents, the effort emphasizes the importance of linking available services into a national system. Leadership by the aforementioned organizations was supported by a broad-based planning committee made up of organizations involved in rural transportation.

Membership today includes such agencies and groups as USDA, DOT, UBOA, the Rural America Association, the National Association of Regional Councils, the American Farm Bureau Federation, and many others.

As part of the planning initiative, three regional symposiums were organized throughout the country to gather information and facts about this program. And I commend the leadership of the three bus companies, there are many others, but, Mr. Fred Currey of Greyhound and Mr. Chuck Busskohl of Arrow Lines and Mr. Dan Prinz of Jefferson Bus Lines all have made very significant efforts in trying to reconnect rural America.

Private sector cooperation with the public sector is very important at the local level, the state level, and so forth.

Mr. Chairman, with all the transportation activities that you have dealt with over the years and the problems with the other modes, I think the attitude of these bus owners and the bus chief executive officers has been commendable. If it was carried into other modes of transportation, we would not have any transportation problems in rural America. So I would like to commend those individuals for their efforts.

In conclusion, Mr. Chairman, I think you and your committee are to be commended for devoting time and attention to this important matter. Clearly this hearing will create a much-needed public awareness of the issues, will provide an information base for use in policy planning and program development, and will lead to a national consensus about the best ways to meet rural transportation needs in America.

I will be happy to answer any questions.

[The statement follows:]

STATEMENT OF MARTIN F. FITZPATRICK, JR., ADMINISTRATOR, OFFICE OF TRANSPORTATION, USDA

USDA'S ROLE

Good morning, Mr. Chairman. I appreciate the opportunity to present the Committee with the results of a joint effort addressing rural intercity passenger transportation. The joint activity has involved USDA's Office of Transportation, the U.S. Department of Transportation's Urban Mass Transportation Administration and the United Bus Owners of America.

I would like to describe briefly USDA's concern for rural passenger transportation. USDA has a long history of involvement in rural transportation. Back in the late 1800's and early 1900's, the Department was responsible for the first transportation program of the Federal government—to "Get the farmer out of the mud!" by building roads. Today, rural roads and bridges still serve as the foundation of our "Access Rural America" program.

The mission of the Office of Transportation is to develop and promote an efficient transportation system to help improve farm income, expand exports and meet the needs of rural America. Our "Access Rural America" is designed to help agricultural and rural leaders build local, State and Federal partnerships for the successful resolution of transportation problems and issues. The program recognizes that the transportation problems confronting our rural areas are not neatly divided along modal lines, political boundaries or levels of government. Likewise, the solutions are not limited to the public or private sector.

THE CHANGING RURAL SCENE

Rural America is at a critical juncture. Significant structural changes in its population and economic base have occurred. Economic transformations are creating changes in the demand for transportation; changes in the transportation system itself have taken place; and people now assume their mobility needs will be met. Significant public investment in infrastructure, particularly the Interstate Highway System, has led to impressive improvements in mobility and transport efficiency. And deregulation of the transportation industry—rail, air, truck and bus—has generally improved service and reduced fares for the nation as a whole. But the modified system is affecting the rural resident, the farmer, the rural businesses, and the community as a whole. Deregulation has led to the elimination of public transportation in the most isolated areas and to a reduced frequency of service to many other rural communities. Much of rural America is now singularly dependent upon highway transportation for access.

The changes taking place in rural America are not short-term, but permanent structural ones. Clearly, transportation remains vital to rural America. Linking our rural communities alleviates isolation, provides access to necessary jobs and services, and supports important business activity.

RURAL INTERCITY PASSENGER TRANSPORTATION—A JOINT EFFORT

Let me cite some statistics to put rural passenger transportation in perspective. Between 1958 and 1970, the number of passenger trains fell by 60 percent. After consolidation into Amtrak in 1971, approximately 500 previously served locations throughout the country now receive passenger rail service. Deregulation of the airline industry in 1978 has brought about reduced levels of service to rural communities, but the Essential Air Service Program (EAS) has continued service to certain rural communities. Both Amtrack and EAS are Federally subsidized.

Deregulation of the bus industry in 1982 was designed to allow the bus industry to raise rates and eliminate uneconomical lines. As a consequence, 4,500 points lost all or part of their intercity bus service between 1982 and 1986, and 75 percent of these communities losing service had populations of 10,000 or less. It should be noted, however, that many of these points are within commuting distance of points which continue to be served by intercity bus transportation.

During the last year, a new effort has begun to promote the availability of transportation services to rural America. It examines local and intercity services offered by a variety of transportation providers throughout the country with respect to their ability to meet the transportation needs of rural residents. This initiative also emphasizes the importance of linking available services into a national system. Leadership has been provided by the three aforementioned organizations. A broad based national planning committee, made up of organizations involved in rural transportation, also served to direct the initiative and involve others.

As part of this initiative, three regional symposia were held to gather grassroots information about rural passenger transportation needs and how they are being met in different areas of the country. The symposia brought together a wide range of public and private agencies and organizations concerned about rural passenger transportation in an effort to facilitate communication and build a national network to enhance rural transportation.

Information presented at the three symposia demonstrated service has indeed been lost in rural communities. But while service has been lost, rural areas are beginning to develop ways to fill the gaps. Examples of how rural communities are responding to mobility needs are described in Reconnecting Rural America, a report published by the North Central Regional Center for Rural Development, which summarizes the findings of the regional symposia. These examples present a concept which connects rural transportation systems with local providers that feed into the intercity route network. The success of the concept, however, depends on each community tailoring transportation to meet locally defined needs.

Several themes emerged throughout the symposia which begin to suggest how rural passenger transportation needs might be addressed to ensure rural mobility. Dr. Don Dillman of Washington State University summarized those themes from an information perspective. First, traditional intercity transportation strategies do not work well in rural areas. Running standard coaches over fixed routes which stop in every community and deliver passengers to a single downtown terminal no longer generates sufficient ridership. Rather, flexible scheduling that tailor services to local needs if perferable in most cases.

Second, rural passenger transportation needs can be dovetailed with the shipment of goods, thereby reducing costs and sustaining services for both passenger and freight transportation. Third, the "one system for all" approach must be avoided since rural transportation needs are diverse. Any policy directed at rural passenger transportation should be designed to facilitate meeting different types of regional needs rather than meeting all regional needs in the same way. Fourth, greater use of information technologies will not reduce physical travel needs in rural America. Data indicates that, on the contrary, greater use of telecommunications encourages a higher level of physical movement.

Fifth, observation of informal methods of meeting transportation needs can assist in designing formal systems. Many rural people have demonstrated considerable ingenuity in meeting their mobility needs: exploring those informal networks can help identify entrepreneurial opportunities for local providers. Finally, equity and welfare issues should be separated from economic issues. To a large extent, discussion of intercity passenger transportation has been limited to meeting the needs of people with no other means of transportation. An alternative approach would target those who can pay for quality service while developing options for providing services to those unable to pay.

Participants in the regional symposia identified several key concepts important to passenger transportation service in rural areas. These concepts provide the building blocks of a national strategy for rural passenger transportation, and form the framework for shaping future policy and program directions involving all levels of government and the private sector. The key concepts include:

Public-Private Cooperation.
Mobilization of Support.
Community Participation.
Defined Federal, State and Local Roles.
Linking of Services.
Market Research and Development.
Diversified Funding Sources.
Resource Management.
Barrier Identification and Elimination.

The information presented above formed the basis of the National Conference, "Reconnecting Rural America," just concluded yesterday here in Omaha. USDA's Office of Transportation will prepare a National Strategy report which builds on the National Conference. The report will use Conference participant input in identifying actions, actors and time frames to develop a national approach for reconnecting rural America.

I will close, Mr. Chairman, by thanking you again for the opportunity to speak here today and the opportunity to present USDA's concerns. As we begin to address rural passenger transportation issues, all levels of government must work in cooperation with the private sector to ensure that our rural residents can meet their mobility needs.

I will be happy to answer any questions.

Senator EXON. Thank you, Mr. Fitzpatrick. I am now pleased to call on Mr. Hennigan. Mr. Hennigan, you are representing the Interstate Commerce Commission, and I assume, among others, Heather Gradison, the chairman. Chairman Gradison has submitted a statement for the record.

And at this time without objection, I will accept that and any other statements by those who could not be here but wanted to have input into the beginnings of trying to solve the problem that we are addressing here in Omaha this week. Mr. Hennigan.

**STATEMENT OF JOHN HENNIGAN, DIRECTOR, OFFICE OF TRANSPORTATION ANALYSIS, INTERSTATE COMMERCE COMMISSION**

Mr. HENNIGAN. Thank you, Mr. Chairman, Senator Pressler, and Senator Karnes. My name is John Hennigan. I am the Director of the Commission's Office of Transportation Analysis. I have been working on issues of bus regulatory reform since 1978.

I appreciate this opportunity to appear before you today and present this statement on the Commission's role in the bus passenger transportation system and our implementation of the Bus Act. The Bus Act addressed Congressional concerns related primarily to the long-term decline of the industry. We believe that the Act offers a balanced approach by easing entry into new routes, establishing a more certain procedure for exit from an unprofitable service, and providing bus companies greater pricing flexibility.

We continue to believe that this approach is the most practical and efficient means available to promote and maintain adequate service in rural and urban areas. The highlights of three key areas in the Bus Act are discussed at length in the Commission's testimony.

The subcommittee has requested the Commission's views on the prospects for the continuation of bus service and the need for federal or state funding to ensure continued service. The Commission has a limited role in the growing policy debate over subsidized bus service.

However, with respect to the exit preemption provisions of the Bus Act, the Commission requires carriers petitioning for intrastate exit to compute the required level of subsidy to continue operations. State and local officials can then evaluate their perceived need of the bus service versus the calculated subsidy requirement by the bus company. A subsidy could be provided. Thus the issue of required governmental financial assistance is dealt with directly through the exit preemption provisions of the Bus Act. On the one hand, carriers cannot be forced to provide service on unprofitable routes. And on the other hand, the Bus Act requires calculation of the level of subsidy required by the carriers for continued service.

In May of this year, the Commission issued a significant decision granting approval of the merger application between Greyhound and Trailways. This decision was recently implemented.

And it is important that in making this determination, the Commission concluded, as many other witnesses have concluded at the conference we just attended and perhaps have and will discuss today, that the relevant market within which intercity bus firms compete extends far beyond merely intramodal bus transportation.

Indeed, the relevant product market, as the Commission stated in its decision, is intercity transportation of passengers. It is too early to assess the results of the Greyhound and Trailways merger. Our decision was served in May, and is attached to the testimony for your convenience.

The pleadings filed at the Commission the Greyhound-Trailways case indicate support for the merger in terms of anticipated stable and improved connecting service for local transit providers. I note that in Greyhound's pleadings in the application for the merger and in their public statements, it is their stated intention to reenter light-density markets. Subsequent to the approval, we are encouraged by Greyhound's efforts to induce residents of small towns and rural America to consider once again the bus travel.

Greyhound is attempting to establish a rural connection to draw riders to bus service points. By promoting such local rural service, Greyhound will help to solve the basic problems of developing transportation in local areas as well as linking the local areas to the Greyhound or the broad intercity passenger network. I understand the subcommittee will hear direct testimony on this from Greyhound later this morning. The Commission will continue to monitor the merger as well as other bus issues as we have since passage of the 1982 Bus Act.

In summary, the Commission has moved forward to implement the Bus Regulatory Reform Act of 1982 keeping in mind the Congressional findings which emphasized that the objectives of the national transportation policy can best be achieved through greater competition and reduced regulation.

Clearly, a more competitive environment has already developed for bus service. The bus industry is attempting to arrest its long-term secular decline which led Congress in part to enact the Bus Act. The bus industry is responding positively to operating freedoms provided in the Act by affording passengers numerous price and service options. The flexibility promoted by the Bus Act is the best assurance that where demand for interstate or intercity travel is sufficient, bus service will be offered.

This concludes the Commission's statement. I would be pleased to respond to any questions that you might have.

[The statement and questions and answers follow:]

STATEMENT OF HON. HEATHER J. GRADISON, CHAIRMAN, INTERSTATE COMMERCE COMMISSION

Mr. Chairman and members of the subcommittee: I appreciate this opportunity to appear before you today to testify on the Commission's role in Passenger Bus Transportation and on our implementation of the Bus Regulatory Reform Act of 1982 and its impact on the intercity bus industry, and the service provided to its rural and urban customers.

The Bus Act introduced the first significant change in Federal regulation of interstate bus transportation since passage of the Motor Carrier Act of 1935. It addressed Congressional concerns related primarily to the long term secular decline of the industry. As stated in previous oversight hearings, we believe that the Act offers a balanced approach by easing entry into new routes, establishing a more certain procedure for exit from unprofitable service, and providing bus companies greater flexibility to price their services. We continue to believe that this approach is the most practical and efficient means available to maintain adequate service, both for the public generally and for the poor, the elderly, the military, and students, who utilize bus service in the greatest numbers in rural and urban areas.

Let me begin the discussion of the effects of implementation of the Bus Act and the resultant impact especially on the needs of rural America, by focusing on three key areas—eased entry, rate flexibility and exit policy.

ENTRY

The 1982 Bus Act has had a significant effect on entry. It has allowed many existing firms to rationalize route structures and to offer passengers new services at competitive fares in many regular route markets. In the past, expansion was often based on what regulation permitted, rather than a determination as to which route structures would be the most efficient and profitable additions to an existing route system. Under the Commission's implementation of the Bus Act's entry standards, major carriers have moved to rationalize their route structures. Importantly, many smaller carriers have also utilized this opportunity to enter into or expand existing regular route operations. There has been a dramatic increase in charter services, which require very low start-up capital costs, through the entry of new firms and territorial expansion by existing firms.

From the Act's passage until August 3, 1988, 5,924 applications have been filed for regular-route and charter authority. Of this total, 4,246 have been filed by new applicants (72 percent) and 1,678 by existing carriers. Thus, it is clear that the entry provisions of the Bus Act are having their intended effect. Approximately 844 of these applications have been for regular-route authority, which represents about 14 percent of all applications for permanent passenger authority over this period. As of August 5, 5,768 of those filings had been decided. It is noteworthy that only 214 of those decided were opposed.

In the area of charter and tour services, low entry costs, as already indicated, have induced many new entrants to take advantage of the Bus Act. Since the effective date of the Act, more than 4,851 charter applications have been received, and it appears that a large proportion of these have been from first-time applicants.

RATES

The industry has also taken considerable advantage of the rate of freedoms contained in the Bus Act. Although the major carriers have established and continue to offer a number of discount programs, independent fare increases have also occurred since passage of the Bus Act on certain routes. This reflects the industry struggle to overcome its generally weakened financial condition resulting from the recession of the early 1980's.

In passing the Bus Act, Congress realized that as long as State commissions could continue to require bus firms to provide intrastate services at unremunerative fares, the goals of the Bus Act would be undermined. Many carriers could be financially ruined if they faced new competition over formerly protected interstate routes while, at the same time, they were requied to continue to provide certain intrastate services at fare levels that did not cover variable costs. To preclude this possibility, the Bus Act grants the Commission authority to preempt certain State regulatory decisions involving intrastate fares and exit from intrastate routes.

Section 17 of the Bus Act gave the Commission authority to review intrastate rates for intrastate motor common carriers of passengers. Under this provision, the Commission may prescribe an intrastate rate increase if a carrier has been denied permission to increase the intrastate rate or the State authority has failed to act upon such a request within 120 days, and the Commission determines that the existing rate causes an unreasonable burden on interstate commerce.

The Commission has received 62 petitions for intrastate rate review. Generally these petitions have been granted on the basis that the carrier's existing intrastate fares are lower (often significantly lower) than its interstate fares for comparable service within the State without valid justification for the disparity, and, therefore, such intrastate fares impose an unreasonable burden on interstate commerce. Two petitions remain pending as of this date.

EXIT

One of the major concerns with regulatory reform legislation involving any mode of transportation has been the effect on service to small communities. In most small communities, buses represent the only form of intercity or interstate public passenger transporation available. Nevertheless, studies indicate that the demand for regularly scheduled intercity bus service in rural and small communities is small and has been declining for a number of years. In the decade before passage of the Bus

Act, it is estimated that approximately 1,800 communities lost all intercity bus service.

Since enactment of the Bus Act, the largest carriers Greyhound and Trailways used provisions of the Act and have formally discontinued or cut back service to numerous points from their intrastate route system. In the case of smaller carriers, however, it appears that few have used Bus Act procedures to drop service to points they have been serving. The discontinuances that have occurred by carriers were, for the most part, an expected and intended result of the Bus Act, since one of the aims of the Act is to provide carriers both greater entry and exit freedoms so that carriers can best reorganize and rationalize their route structures.

The reason offered by carriers for discontinuance of routes include the deregulation of airlines and ensuing decreased bus ridership and operating losses, and competition from the automobile. In the early years after the Bus Act, Greyhound cancelled some routes, attempted to expand its franchising program, subcontracted operations or sold some terminals, and reduced the number of managerial and unionized employees. As part of this process, Greyhound began to emphasize bus service from rural and suburban points to airports, in recognition of the increasing penetration into traditional bus market by discount or regional airlines. In a majority of discontinuances approved under the Bus Act, the discontinued service was generally along corridors where some other form of available public transportation service remained.

In the past, bus carriers have been prevented by State regulatory authorities from dropping many routes which were severely under-utilized and, therefore, unprofitable. In order to address this problem, the Bus Act provided statutory authority for the Commission to preempt State regulation of exit from regular-route passenger service in certain circumstances. The Commission promulgated final rules implementing this provision in Ex Parte No. MC-161, Preemption of State Regulation of Regular-Route Exit—Motor Passenger Carriers.

To date, the Commission has received 60 petitions for intrastate exit review. Each involves intrastate transportation being provided on a route over which the carrier was granted authority to provide interstate transportation on or before August 1, 1982. In such instances, the Bus Act requires the ICC to grant a petition for discontinuance unless it finds, on the basis of evidence presented by those objecting, that such discontinuance is not consistent with the public interest or that continuing the transportation will not constitute an unreasonable burden on interstate commerce. The Commission has taken final action on all of these petitions.

The Subcommittee has requested our views on the prospects for continuation of bus service and the need for Federal or State funding to ensure continued service. The Commission has a limited role in the growing policy debate over subsidized bus service. However, with respect to the exit preemption provisions of the Act, the Commission requires carriers petitioning for intrastate exit to compute the required level of subsidy to continue operations. State and local officials can then evaluate their perceived need for the bus service versus the calculated requirement. A subsidy could be provided. Thus, the issue of required governmental financial assistance is dealt with directly through the exit preemption provisions in that the law ensures that carriers cannot be forced to provide service on unprofitable routes which are subsidized by their other routes and requires calculation of the level of subsidy required by the carrier for continued service.

## OTHER ISSUES

In discussing the effects of the Bus Regulatory Reform Act and the adequacy of existing service, the Commission maintains records on complaints regarding bus service. Our records show that complaint levels have not increased significantly since the passage of the Bus Act. Another factor to be examined is the financial condition of the industry. Concern over the industry's financial condition was one of the factors which led to passage of the Bus Act. As you know, in spite of the flexibility allowed by the Bus Act, Trailways Lines had severe financial difficulties which threatened the provision of bus service. As discussed later in this statement, in 1987, Greyhound petitioned to purchase the Trailways' authority and assets and now operates the company.

Recent Commission data concerning the financial condition of the bus industry are dominated and negatively affected by restructuring and reorganization of the dominant carriers Greyhound and Trailways Lines.

In fact, Trailways was a "failing firm" that would have entered into Chapter 7 bankruptcy (liquidation), if not for the buyout by Greyhound. Increased automobile usage, due to the economic recovery and stable gasoline prices, and some substan-

tially discounted air fares have contributed to the historic relative decline in bus ridership. Intercity bus firms have not participated at all in the significant growth in intercity passenger travel since 1950. The bus industry has represented a small and declining share of intercity passenger transportation. Although the recent improvement in the nations' economy and passage of the Bus Regulatory Reform Act of 1982 have not arrested the decline in bus industry ridership and earnings, we believe the industry would be in worse condition without the reforms included in the Bus Act.

Efforts to assist small carriers and local governments in consummating new service or searching for alternatives to lost passenger bus service have continued at the Commission. Several publications prepared by the Office of Public Assistance have been updated and are available to the public. These booklets provide explanations on how to obtain interstate authority as well as how to participate in Commission bus proceedings. The Commission has responded to numerous inquiries received from State and local government officials, users of bus service, and persons interested in beginning new or expanding existing passenger bus operations.

As stated earlier, provisions of the Bus Regulatory Reform Act have afforded many new opportunities for both users and providers of bus service. Thousands of new motor passenger businesses have arisen since November of 1982, resulting in the availability of a greater variety of services and prices from which bus users may choose.

The recent unavailability of required liability insurance presented a very real threat to the continued viability of many interstate passenger operations, especially small operators. As you know, the causes of, and possible solutions for, the problems experienced throughout the liability insurance industry have been the subject of ongoing Congressional hearings and study. Fortunately, today it appears that liability insurance for motor carriers including passenger carriers is generally more available than at the peak of the crisis but it is still at high premium levels.

### GREYHOUND/TRAILWAYS MERGER

In May of this year, the Commission granted final approval to the merger between Greyhound and Trailways Lines. In this case the Commission found that:

The public interest is best reflected in the efficiency, quality, quantity, and price of service available to the public. These factors are generally believed to be a function of the effectiveness of competition in the marketplace.

In making this determination, the Commission concluded that the relevant market within which intercity bus firms compete extends far beyond merely intramodal bus transportation. Indeed, the relevant "product" market is the intercity transportation of passengers. Overall the private automobile accounts for about 80 percent of all intercity travel, the airlines 17 percent, the intercity bus less than 2 percent, and Amtrak less than 1 percent. Auto travel predominates for shorter trips, while air travel accounts for a majority of long distance travel (round trips of over 1,000 miles). Even over the middle distance (round trips of 400–600 miles) where bus travel is relatively more important, only about 5 percent of passenger movements are by bus.

Even in those rural areas lacking sufficient passenger demand to support more than one intercity bus firm, the alternative of the private automobile and the potential for local informal arrangements provides a sufficient cap on any attempt by any passenger carrier to exploit its position with unreasonably high fares or inadequate service. Even though important segments of the population do not have access to their own private automobile—particularly the young, the elderly, the poor and the disabled—these groups alone cannot economically support even single firm for-hire bus service throughout the nation.

The Commission stated that for privately-owned bus service to be viable, it must attract additional patronage from those who do have access to the auto and perhaps other alternatives. To do so, bus firms must provide fares and service attractive enough to be available as competitive alternatives for to the majority. Given these circumstances, and the very poor financial position of Trailways, the Commission concluded that the merger was clearly in the public interest. A copy of the merger decision is attached for your convenience.

The key public policy issue with respect to buses is not how to maintain price competition among numerous bus service providers, but how to maintain service levels to those travelers most dependent on buses. While buses have captured a small and diminishing share of total intercity passenger miles, they perform an important service for millions of our nation's citizens providing close to 400 million intercity passenger trips annually.

It is too early to assess the results of the recently approved Greyhound and Trailways merger. The pleadings filed at the ICC indicated support for the merger in terms of anticipated stable and improved connecting service for local transit providers. We note in Greyhound's pleadings and public statements, the stated intention is to re-enter light density markets through improved connections with local transit providers. Subsequent to this approval of the merger we have been encouraged by more recent public statements by Greyhound and media accounts of efforts to induce residents of small town America to consider bus travel. Greyhound is attempting to establish a rural connection to draw riders to bus service points. By promoting such local rural service, Greyhound will be solving the basic problems of developing transportation in local areas as well as linking the local transportation with the Greyhound intercity bus service network.

The Commission will continue to monitor the merger as well as all other bus issues as it has since passage of the Bus Act. For example, in addition to Congressional oversight hearings on the Bus Act, the Commission's Bureau of Accounts regularly monitors the financial performance of the Bus Industry. In addition, in 1984 our Office of Transportation Analysis issued a comprehensive report on the status of the intercity bus industry and the initial impact of regulatory reform prompted by the Bus Act.

Finally the Commission appreciates the importance of developing rural transportation services and has provided speakers and actively participated in each of the United States Department of Agriculture 1987 conferences on rural Intercity Passenger Transportation, including the National Conference held on August 23 and 24 here in Omaha, Nebraska.

POOLING

Following the merger between Greyhound and Trailways, the Commission has received four applications seeking approval of pooling agreements. These agreements involve the merged Greyhound bus company and former affiliates and competitors of Trailways and Greyhound. Generally, these petitions are aimed at low density corridors which have insufficient traffic to support more than a single carrier. Applicants contend that pooling is required for them to increase the number of passengers per bus over these routes and thereby reduce their unit cost. With lower unit costs they expect to become more competitive with other modes and the private automobile.

The conditions for approval of such pooling agreements are, as stated in 49 U.S.C. 11342(a), the following: . . . the Commission may approve and authorize the agreement or combination if the carriers assent to the pooling or division and the Commission finds that a pooling or division of traffic, service or earnings—

(1) Will be in the interest of better service to the public or of economy of operation; and

(2) Will not unreasonably restrain competition.

We anticipate final disposition of these petitions shortly.

CONCLUSION

I would like to conclude by emphasizing that the Commission has moved forward to implement the Bus Regulatory Reform Act, keeping in mind the Congressional findings which emphasize that the objectives of the national transportation policy can best be met through greater competition and reduced regulation. Clearly, a more competitive environment has already developed in the bus industry. The bus industry is attempting to arrest its long term secular decline and is responding positively to the operational freedoms provided for in the Act by affording bus passengers improved price and service options. The flexibility prompted by the Bus Act is the best assurance that where demand for the interstate or intercity travel is sufficient, bus service will be offered.

This concludes my statement, and now I'll be glad to respond to any questions you may have.

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QUESTIONS OF SENATOR EXON AND THE ANSWERS

*Question.* Mr. Fitzpatrick has testified this morning that in the first four years following deregulation of the bus industry in 1982, some 4,500 points lost all or part of their intercity bus service; 75 percent of the communities losing service had populations of 10,000 or less. Would you comment on this and what it means for travellers in these markets?

Answer. Mr. Fitzpatrick's testimony about the loss of bus service since the 1982 Bus Act was taken from an ICC report prepared for Senator Pressler which assesses bus regular route entry and exit. Discontinuance of bus service in these small towns could have a negative effect on the remaining bus travelers. This is a factor that must be weighed in exit decisions before the Commission. However the records in the bus exit cases at the ICC point out that in many cases intercity bus ridership in these communities is small and has been declining over the years. Over time, traditional bus riders have shifted to other intercity transportation alternatives such as the automobile or low cost airlines. Service discontinuances often indicate an assessment that private bus service cannot be economically provided directly at all the small communities that have previously enjoyed bus service. Our studies have shown that alternative bus service is usually available but at slightly more distant locations. Most bus riders already have to travel by private auto or other means to get to the bus.

The extensive bus network that served the country has necessarily adjusted to take into account lower ridership levels and to provide a more efficient network of intercity bus service to remaining patrons. Historically, a system of bus transportation evolved whereby bus riders on rural, light-density or "feeder" lines traveled at less than the average cost of providing the service, and were cross-subsidized by riders on the more dense, profitable corridors and the users of charter service. While it is generally recognized that the former tend to be often lower income persons—the elderly, rural poor, disabled persons, students, and those without alternative transportation, we observe that the latter "subsidizers" also tend to be the same disadvantaged groups living in urban areas—particularly as the private auto, reduced rate air fares and "travel clubs" have attracted increasingly larger segments of those who could afford these non-bus options. In the past, regulatory authorities, principally the States, protected the profitable routes and charter markets as an implict, and sometimes an explicit "quid-pro-quo" for maintain light-density service. However, bus regulatory authorities in recent years have become increasingly unable to protect the profitable bus markets in the face of increasingly pervasive intermodal competition. Attempting to maintain the cross subsidy of the rural disadvantaged by a continually shrinking pool of urban disadvantaged, by prohibiting exit from the least profitable routes and maintaining low fares on such routes, only accelerates the decline of the bus industry and its ability to render adequately the remaining service.

Permitting Greyhound and the other remaining bus companies to rationalize their networks and financially strengthen their operations provide the only hope we see of continuing a privately operated bus system. Moreover, these firms may well find it in their own economic interest to encourage and to make arrangements with local transportation providers to perform connecting services much more efficiently than could these over-the-road operators.

*Question.* Your prepared testimony stated that since enactment of the Bus Regulatory Reform Act of 1982, the ICC has considered 62 petitions for intrastate rate review and 69 petitions for intrastate exit review. What is the ICC's decision record with regard to these preemption requests?

Answer. Of the 62 petitions received for intrastate rate review, 61 were granted and one was denied. Of the 69 petitions for intrastate exit review, 54 were granted in full, 1 was granted in part, 3 were denied, 9 were dismissed and 2 were withdrawn.

Senator EXON. Mr. Hennigan, thank you very much. And I appreciate the excellent testimony by all of you. Let us go to the question period now.

Let me start out with you, Mr. Hennigan, by saying that this is one Senator that has had his differences with the ICC and submitted those differences or policy differences, and those are understandable.

Can you be any more specific about what the ICC would like to see in enhancement of the federal activities and local activities with regard to improving bus service? In other words, the Interstate Commerce Commission has a role to play but it is regulatory.

Mr. HENNIGAN. Yes, sir. Our role is regulatory.

Senator EXON. Has the ICC come up with any recommendations that they would make to allow them through legislation to do more than they have been able to do in the past?

Mr. HENNIGAN. We have not made any legislative recommendations. We have, I think, faithfully implemented the Bus Bill. Our hope and the hope, I think, of Congress in passing the Bus Act was that the flexibility that was provided by the Act would result in new entry and greater carrier flexibility.

The Commission's filed statement points out that there has been a rash of new entries into the bus industry. Now, it is true that the entrants are mostly charter carriers. But I think we point out that there were 844 applications for regular route authority. A lot of those applications are in larger cities. But this does not preclude the possibility of new entry in smaller cities.

I would just say in terms of bus service that perhaps the most encouraging result from the Bus Act is that while we have had certain difficulties with Trailways, that you now have a carrier, Greyhound, that is willing to put together a nationwide network and start to talk about service to rural America. This is not the type of service, that in my experience at the Commission, that Greyhound or Trailways promoted.

So I think that the sort of offers of service you see on the part of Greyhound are not offers that you would have seen prior to the Bus Act. Exit was controlled, and entry was also controlled. There was no incentive to provide this sort of service. In summary, we have not offered any Congressional recommendations.

We do have a limited role except that we are very concerned about the bus industry. We try as much as we can to promote bus service. But our hope is that the Bus Act itself will create the flexibility to promote bus service.

Senator EXON. Well, thank you. And again, I would simply encourage you as a key member of the staff of the ICC to have them come forth with some suggestions, if you think that is proper, because we are seeking solutions to this problem.

I will simply say I think it would be fair to make a judgment that the ICC has been certainly pro-deregulation, at least the present ICC. I do not condemn them for that. But as you know, I feel that the ICC could have done more had they been interested in exercising more control than they have under the Staggers Act for the railroad industry.

And since we are mentioning the railroad industry, I would suggest that you read the local newspapers yesterday and today with regard to other important decisions that came down by the Courts the other day, wherein the Court said that a certain major railroad that had a contract to haul coal to a generating plant did not have to reveal what that contract was. And from a free enterprise system that makes an awful lot of sense to me, as an old free enterpriser myself. But we are right back to the problem of what to do about captive shippers. We do not use the term captive shippers with regard to bus transportation, but that could be the case.

I would agree with you that I am very much impressed with what I have seen so far from the bus industry for a very forthcoming nature. They know they are in a very highly competitive busi-

ness, and I think that they have not been unreasonable in their overall request.

My basic thrust to you though is to take back to the ICC, if you will, at least it is this Senator's feeling that we need to work closely with the regulatory agency such as the ICC if we are going to come up with something that can be helpful to help the captive shippers that are those people out of rural America today who are captive in that they have no means of transportation.

Mr. HENNIGAN. I will take that back to the Commission.

Senator EXON. Mr. Benson, let me ask you this question. The Department of Transportation has, generally speaking, opposed most funding for our transportation needs. Amtrak has not been forthcoming on funding for the DOT has opposed funding for Amtrak, mass transit, and for other bus programs. And certainly DOT is opposed or not enthusiastic about the essential air service program.

What do you see in the future as far as the attitudes of the Department of Transportation with regard to the availability of some additional funds for this troubled bus area?

Mr. BENSON. Let me say, first of all, Mr. Chairman, that I really only feel qualified to speak to the Urban Mass Transportation Administration. We have a real concern for rural transportation. I think it would be fair to say that our Administration and in particular my boss, Administrator Al Delli Bovi, has probably done more than any previous Administrator to expand the concerns of UMTA to include rural and, I might add, suburban transportation issues.

And, in fact, at a recent congressional hearing when the chairman of our appropriations subcommittee had heard Mr. Delli Bovi's testimony about our rural and suburban programs, the Chairman said, well, Mr. Administrator, really to hear you talk, I wonder if the name urban is an appropriate part of your agency's title. And my boss replied, well, Mr. Chairman, frankly if we had it to do over again, we would probably drop the name urban. We probably should drop the name urban from the Urban Mass Transportation Administration.

And in fact, in our hearings during the last couple of days, this idea seemed to catch on. And one of the study group's proposals was that we be renamed the PTA, the Public Transportation Administration. I am not sure how my boss would react to that proposal.

But to directly address your concerns, we are very concerned about the mandate of our agency as being perceived to include all Americans and not just being limited to the urban sector.

And I am inferring from your question about our concern with bus that you are talking about intercity bus and indeed are talking about the rural issue. Because, of course, in urban areas, trade-offs between bus transit and rail transit raise all sorts of special questions that urban senators and congressmen are very concerned about.

Senator EXON. I am talking about intercity.

Mr. BENSON. Right. So in terms of intercity bus, I think that is what we are trying to do. And I think the initiatives that we laid out here are the kinds of initiatives that we would like to proceed on. I must be very frank and, again, I think this reflects some of

the comments that Senator Pressler made. I trust I am interpreting him correctly—that we do not feel that an ongoing federal role for increased subsidy support of operating expenses is an appropriate action at the federal level.

We feel that the appropriate federal responsibility is, number one, to serve as a catalyst for action. Number two, where necessary, in some of these areas to look at capital-type support. One thing we did do, my own office did, that I am pleased to be able to take some credit for, is to look at our section 3 funds which are discretionary expenditures and to get a legal ruling that these section 3 funds can be used for the interest portion of leasing. This may sound a little arcane, but this has very direct relationships to working out some kind of programs.

For example, taking up the slack on rural abandonments, this ruling means that our federal funds could be made available for the full capital costs of a leasing program if we were to put together a demonstration-type leasing program. So that would be one type of initiative.

Another type of initiative which might very well be appropriate, would be some kind of support for rural transit transportation centers which would serve to help improve the rural connector program, getting more of an interaction between the public sector and the private sector, getting public transit and private transportation intercity bus routes. Again, I think this is the kind of thing that would be an appropriate federal role and that I think we at UMTA would be pleased to move ahead aggressively on.

So those are two examples of and, again, just to repeat the point that I made in my initial testimony, how we are currently talking with the transportation officials in both Kansas and Colorado to see how we might use some demonstration grants to ease that transition.

Just to summarize, we feel that the appropriate federal role is to serve as a catalyst and to serve with an aggressive method of support of capital expenditures in a variety of different ways for both fixed facilities and roads.

Senator EXON. Well, thank you, Mr. Benson. I guess we all have our different areas of emphasis here. I happen to feel that there nees to be a better understanding with the present administration about what the role is of the federal government.

We talk about the word cushioning that was necessary for the essential air service. I happen to feel that since the federal government passed and implemented deregulation laws that were good, as I said earlier for most of the people, that the federal government has to go back to that basic responsibility that I think was inherent in this country for a long, long time that we needed a total transportation system.

I do not see how the federal government is going to carry out the role that I think they have to carry out without the expenditure of some additional dollars. And so far any time we get additional dollars, whether it is for Amtrak or for essential air service, we get it by force and blood and votes and not by commitment from the present administration. Senator Pressler.

Senator PRESSLER. Thank you very much. I want to commend all three of the witnesses because I know they helped organize the con-

ference that was held, and they have been doing some deep thinking about this. And I share with Chairman Exon some of those thoughts.

Let me say when I said I do not come carrying bags of money. I certainly cosponsored the essential air service, and I am well aware that the National Association for Transportation Alternatives has launched a campaign to seek a 15 percent share of federal transit assistance for rural and small urbanized areas. That campaign notes that these areas represent 49 percent of the population that receive less than 10 percent of the federal transit funds. It also notes that rural areas have a disproportionate number of persons that are dependent on public transportation: the elderly, disabled persons, and the poor. This is not just in the Midwest.

My wife and I, after the Republican Convention, drove up to Memphis. We wanted to stop up and see Faulkner's county and tour Faulkner's house and so forth at Old Miss and looked around that county and that area. And I can say that they have problems in rural poverty that are greater than we have in South Dakota.

So indeed, if we can get the federal money, I will certainly take it. Maybe we can make the bus system a part of the SDI program. That would help it out. But barring that, we are going to have to work on a cooperative basis. These three fine witnesses each mentioned cooperation.

I think, Brien, you made a nice statement on that. How would that shake down? Let us say, would there be a van that would be partially financed by a county or a state that might provide a bus service? Could you give us some specific examples? You had the Greyhound example.

Mr. BENSON. Sure. We already have given some 20 grants under our entrepreneurial services program, and also some half dozen grants under our competitive services program. These grants provide support in three different ways.

Number one, I might say in all cases while we are attempting to encourage the public/private partnership, the grants do go through public authorities. These are not grants that go directly from the federal government just to a private provider.

So whether we are working with the state authority or a local authority or a public transit authority, there is always a cooperative element there. But our grants support, number one, the planning process. For example, we might give a grant for a marketing study as to where the appropriate new routes might be.

Secondly, our grants will support a marketing effort. In certain cases there may be a transportation route that is generally considered as a useful route but the people who are potential riders are not aware of it. So we have given, in effect, an advertising grant. This has been done in Oakland in one case. And we are looking at this in other cities.

And a third type of grant that we give is an actual capital assistance grant which would go to support, as I indicated, a lease payment by the provider which would cover the provider's lease costs for, shall we say, a three-year period. These maybe in certain cases will go directly to the transit authority, and in other cases it would go to the private provider, but the federal cost of the lease would include the interest portion.

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So federal money would directly go to support capital, market studies, market planning, and advertising and information. A local transit authority or the state may or may not participate financially. In almost all cases it would be in-kind support. They would add their own local planning expertise, their own local knowledge. They may indeed themselves want to bring in a contractor to help from a local level.

But in all cases whether or not there is direct financial support, there would be in-kind assistance. And then finally, of course, the provider himself is providing the service.

Senator PRESSLER. One thing that I think this hearing should make clear is that I am always slightly irritated when I read that bus service has expanded in the United States. Indeed it has in some areas. There has been an increase in the number of areas. So what you see is the summary of what deregulation has done for the country, and there have been some areas where there have been expansion of services.

In 1986 at my request, the Interstate Commerce Commission did a study of the effect of the Bus Regulatory Reform Act of 1982, the Bus Deregulation Act. It shows that thousands of communities had lost all or part of their bus service by January 1, 1986.

In September of 1984 the Department of Transportation published its study that made similar findings. It pointed out that there are two sides to the coin. I think we should discuss both of them.

I address this to each of you. Have you performed or do you plan to perform studies that update your earlier evaluation of the trends in bus transportation? By the way, do you accept and agree with my statements about these studies? I had to beat the ICC over the head to get their study out—I am not criticizing you in any way—but it was a wrestling match. But where do we stand? Do you all acknowledge that the deregulation of buses has led to a substantial decrease in bus service in rural and small towns?

Mr. BENSON. Senator, if I might take a first shot at that. The statistics are quite clear about the decline of the bus boardings. I guess, speaking for myself, I am not at all persuaded that the foe is bus, that the culprit is bus deregulation.

As the Chairman indicated in his opening statement, the causes of this decline in ridership are widespread including, as Senator Karnes pointed out, including out-migration from rural areas, certainly the deregulation of airlines. I mean, we are all aware of the changed composition of the people who we ride with on the airlines.

And certainly air travel is now available to millions of Americans who ten years ago would have, as I indicated before, thought of airports as the preserves of the rich. These folks now, if they can fly, let us face it, they are going to be more likely to fly than to ride buses. Something we are extremely sensitive to as we look at urban mass transportation issues is a direct relationship between increased availability of privately owned automobile and declining utilization of mass transit.

There is just simply no doubt as more people are able to afford private vehicles, they are less likely to use public transportation.

And we would assume that this would apply to rural as well as suburban and urban America.

So from my own perspective, I would say that the explanation for the decline in ridership is changing demographics in rural areas, number one. And, number two, deregulation of the airlines. And number three, rising income levels for many more privately owned vehicles.

Mr. FITZPATRICK. I agree with Mr. Benson's assessment. I think deregulation is a casual factor of declining bus service, but I do not believe that it is the only one.

And I do not think we can expect the private sector to continue service with large coaches where they are only getting one or two people in the communities. That is why we had our conference. We attempted to look at, and I think successfully so, new ways of providing service to rural communities through using the network that exists through HHS programs and UMTA and USDA to try to use smaller vehicles to provide service to rural communities.

We are, in the USDA, continuing to monitor many of the trends toward declining bus service as well. Thank you.

Mr. HENNIGAN. I would agree with Mr. Benson, our testimony also makes the point that there has been a decline in the demand for bus service over the years. Our statistics would show that in prior years people relied on the bus to a much greater extent than they do today. There have been certain factors that have caused this decrease in demand, and most of them happened before 1982. In prior years there was kind of a regulatory agreement within states that, as Senator Pressler said, that certain rural routes would be subsidized by more dense intercity routes. That bargain disappeared long before the Bus Act of 1982. For example, the Department of Transportation, back in 1980, sent the Senate Commerce Committee a study that said that as many as 1,800 bus service points have already been discontinued. So I think Congress in the Bus Act admitted that there was a problem and that there needed to be some flexibility.

Our testimony indicates that Congress anticipated the exit. We anticipated the exit. In an exit application we were only allowed ninety days to issue a decision, which was indicitive of the seriousness of the problem. We do believe that bus exit was anticipated, and that it happened.

With respect to Senator Pressler's comment, I just want to reassure you that our reluctance and our delay in providing the report that you requested had more to do with our trying to assess bus service more accurately.

We ultimately had to use kind of the telephone-book approach, which was totally unsatisfactory to everyone. But there has never been any denying before the study we provided you that there has been bus exit. Prior to 1980 there were 1,800 points exited. In 1983, the Bus Rate Bureau study commission said that there were 2,000 to 3,000 points exited. In 1983 the Commission said that there were at least 2,000 to 3,000 points. We were not surprised and in no way deny that there has been extensive exit from the bus industry. Perhaps service is better. What we could not measure then and still would find difficult to measure is the amount of new bus service.

Senator PRESSLER. I do not want to dominate this discussion. I have one more comment to make. You said that the demand for bus service has declined. That is frequently a cause-and-effect, the chicken or the egg. If bus service is irregularly scheduled, if people do not know about it, it will decline. Sometimes there have been declines in the demand for bus services in some areas. But that is one that we want to be careful about. Because as we find for example in the essential air service program, somebody tells me that we did not have enough boardings from Yankton, South Dakota to justify EAS assistance. But that is perhaps because the airplane that was expected there, the commuter airline went out of business for a month or two and there was no advertising and people came not to depend on it. People did not know it was there, so naturally it is going to decline.

And I do hope that we could have something. I would support something like essential bus service if we could get an appropriation which would work with the various levels of government.

But I think where something is regularly scheduled and you can count on it, it is good-quality service, it will work. A lot of people said there was not a demand for bus service. If there's only five passengers on a bus between here and Aberdeen, there might only be five passengers because nobody knows about it or because it is irregular or service has been late or bad. If there is good bus service out there, I think it will be used. And also it is not just South Dakota. It is New York, too.

You know, 49 percent of our people live in what are classified as small cities and rural areas. This is true of California too. So I think we are on to something here that is very important, and I would not conclude that demand has gone down just on the basis that less people are riding on buses when they are available. It may be because of the irregularity of service or something of that sort.

Senator EXON. Well, let me say that I think what you are dwelling on here gets back to what I had indicated earlier. We have got to get the local communities involved. Essentially, the essential air service program had definite years to run, but it is basically on a use-it-or-lose-it proposition.

And certainly, Senator Pressler makes a good point. We have got to have service at reasonable hours. You know, people are not going to want to get on the bus in Ravenna, Nebraska at three a.m. in the morning or here in South Dakota. I just simply say that get the locals involved in this on the use-it-or-lose-it proposition as we have told them with the essential air service.

Essential air service is not going to go on forever. If there is not a need or a reasonable number of people to use the service, then there is no use of government subsidies forever. Thank you, Senator Pressler. Senator Karnes, do you have any questions?

Senator KARNES. I am going to apologize in advance for having to exit, and I appreciate the opportunity. I have taken a look at the statements, and I will be taking the statements of everyone with me. I think they are very thoughtful and very important.

I would hope that people that are pointing to the lack of demand would recognize again some of the observations that I made in my

statement about indeed there has been an increase in demand since 1986.

And, of course, this is done because of some of the innovations that we have seen in Nebraska using smaller vehicles and providing the type of convenience and reliability and dependability of schedules that all of us know just as part of human nature.

The success I think that we have seen in essential air service as far as creating some of that reliability and dependability even though we have had some instances of commuter carriers not performing as well as we would like indicates that if we do work together as the Chairman has indicated on so many occasions in a comprehensive fashion, we can establish that type of mind-set with the riding public that this service is an important service to them that they will use.

I am convinced from looking at the statistics of Nebraska that has used some of the funds that they have received in a cooperative fashion, that they have been able to target their resources to the needs and the interests and desires of the riders.

The companies themselves have to be complimented, and I do not have the time to stay around. But I would encourage the ICC, I notice in your statement, Mrs. Gradison's statement that at the conclusion there is talk about the pooling requests that have come in.

Mr. HENNIGAN. Yes.

Senator KARNES. And I think that is a very encouraging step. Obviously, we would all hope that the regulators themselves would not bring impediments through regulatory fee-out that would preclude what may just on paper look like it is some type of a consolidation. We have a consolidation network that is taking place.

I would encourage the ICC, as I am sure they will view favorably on occasion, every opportunity for various different, various types of transportation companies to pool their resources together in order to provide the type of service that we are all talking about. So I was going to ask about that, but I think I might submit a question to you and try to find out the status of those pooling arrangements. I know there are some pending right now.

Mr. HENNIGAN. Well, just a quick comment. There are at least four applications for pooling, and one of the original ones is probably being served for comment right now. It is by Adirondack Trailways in New York. The Commission is very quickly moving to decide the pooling agreements that resulted from the merger. There are no regulatory impediments to delay these decisions.

Senator KARNES. Thank you, Mr. Chairman.

Senator EXON. Mr. Benson, Mr. Fitzpatrick, and Mr. Hennigan, we appreciate very much your testimony. There may be some additional questions that we will submit to you for the record, and we would ask that you respond as promptly as your schedule will allow. Thank you for being here, and we appreciate your valuable testimony.

I am now pleased to call on panel number two. The Hon. Daniel Urwiller, Chairman of the Nebraska Public Service Commission; and Mr. Lawrence Harman, the Assistant Secretary of Public Transportation for the Commonwealth of Massachusetts and repre-

senting the American Association of State Highway and Transportation Officials.

Mr. Urwiller, Mr. Harman, your full statements have been expected as part of the record. I would appreciate very much your summarizing at this time and in responding to questions that we might have. Dan, we will start with you. Welcome.

## STATEMENT OF DANIEL URWILLER, CHAIRMAN, NEBRASKA PUBLIC SERVICE COMMISSION

Mr. URWILLER. Thank you. The Nebraska Public Service Commission has a diminished role in transportation of passengers by bus. The Bus Regulatory Reform Act of 1982 preempted the power of states to regulate bus operations which involve interstate commerce.

The act also provided for the appeal of decisions rendered by the states to the Interstate Commerce Commission. The ICC has invariably ruled against the states in these actions. The Nebraska Legislature has also seen fit to provide for the exemption of regulation by the Public Service Commission certain motor vehicles operated by governmental subdivisions or a qualified public purpose organization engaged in transportation of passengers. Essentially what this did was exempt the handibus, as most of us know it. The Commission now regulates only those bus operations conducted wholly within the state in intrastate commerce.

The passenger carrier operating in both interstate and intrastate commerce can bypass the state and go directly to the ICC and get authority to operate within the state. In spite of this limited involvement, the Nebraska Public Service Commission is still very much interested in bus transportation.

The Commission has done what it could to promote additional service and has attempted to work with bus companies to assist them in areas of mutual interest. Both federal and state lawmakers solicited the Commission's advice in matters pertaining to transportation needs in Nebraska.

The Commission is anxious to cooperate and to work with those governmental agencies and private enterprises promoting and improving bus transportation. We are particularly concerned with the service provided to the rural areas of the state where many of our older citizens reside.

These areas need a reliable transportation system to ensure a means of transportation for medical, governmental, shopping, and other services requiring transportation.

It appears that the plan presently being promoted in which small bus lines will provide a feeder-line service to major bus line connections will require Commission approval. We will certainly do what we can to encourage these sorts of service.

I do see a major problem with this plan. The fact a need exists does not ensure the operation is going to be profitable. The operational costs and particularly the start-up costs and insurance premiums are pitfalls for well-intended but underfunded transportation services. Only federally assisted programs can be assured of success.

I strongly recommend continued financial assistance for Black Hills Stage Lines. This Nebraska-based company has a real and continuing interest in serving the people of the state and possesses the business expertise to succeed in the bus transportation industry.

We certainly appreciate the attention given to the transportation problems of rural Nebraska by this committee. I hope a long-range federal commitment can be developed. I feel it will take several years for the public and rural America to become accustomed to reliable public transportation. And if these services cannot be counted on by people making future travel plans, they will not be considered.

[The following information was subsequently received for the record:]

Nebraska Public Service Commission

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P.O. Box 94927
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DANIEL G. URWILLER
COMMISSIONER, 5TH DISTRICT

'88 OCT -6 AM 11:19

September 28, 1988

The Honorable Ernest F. Hollings
Chairman
United States Senate
Committee on Commerce, Science and
Transportation
Washington, D.C. 20510-6125

Dear Senator Hollings:

In response to the follow-up questions prepared after the Commerce Committee's hearing on Passenger Bus Service, I am pleased to reply as follows:

1) Governmental Assistance: I feel the UMTA funding for rural transportation should be increased at least 100%. It is my understanding that at the present time, non-urban areas receive only 3 percent of UMTA funds. This amount of funding is inadequate to provide the important services needed in rural areas. The funds available through UMTA are designated for the continuation and support of public transportation in rural and urban areas. The UMTA program should also be expanded to encourage private enterprises. Private enterprise has always been and should remain the backbone of our nation. Private entrepreneurs should have access to UMTA funds either through forms of subsidies or federal grants.

2) Bus Act: By pre-empting the state's authority to regulate bus operations, Congress assumed responsibility for the bus transportation system operating in the United States. The Bus Act allowed bus companies to abandon unprofitable regular route operations and concentrate their resources on the more popular, profitable routes and charter services. Prior to the Bus Act, the state regulatory bodies required all bus routes be maintained thus providing service to the rural areas. Since the Bus Act, the bus transportation system in the rural states has disintegrated and the role of the state became ineffectual. Our Commission has not held a hearing on an application for or to extend bus service for several years. In addition to the loss of intercity bus service, many of the small taxicab businesses, which existed in most medium size towns, were driven out of business by the federally funded handy-van operation. The Handy-Van Program is very successful and the people served are happy with the service. They have become accustomed to the dependable service and affordable rates. The federal commitment has been made and it is too late to attempt to place a responsibility back on the states.

I hope this information is helpful to you. Please do not hesitate to contact me if you should have further questions or would like additional information.

Sincerely,

Daniel G. Urwiller

Daniel G. Urwiller
Chairman

Senator EXON. Thank you very much, Dan. And I want to thank you and congratulate your group for the suggestions that they continue to make with regard to the whole transportation needs of rural America. You are out here on the firing line, and we appreciate the input very much that you give us. Feel free to contact us any time. Thank you for what you have done in the past, and I just encourage you to do more in the future. Mr. Harman.

Mr. URWILLER. Thank you.

## STATEMENT OF LAWRENCE J. HARMAN, CHAIRMAN, TASK FORCE ON RURAL AND SPECIALIZED TRANSPORTATION PROGRAMS

Mr. HARMAN. Thank you very much, Mr. Chairman. As you requested, I have summarized my thoughts into six points. I should note that five years ago I spent five days, delightful days in Lincoln teaching bus drivers operations. And I discovered I had an accent. If you try to bear with me, I will certainly help the stenographer later interpret my remarks.

The first point is that AASHTO was deeply concerned that 4,000 communities have lost service in the past six years.

Second, we note that some states, including my own, have struggled to provide increased financial support in a variety of innovative ways.

Third, states are particularly constrained in meeting the needs of rural intercity carriers as they have had to bear the brunt of federal transit cuts.

Fourth, AASHTO sees two viable approaches to support intercity bus service. First, to increase section 18 funds. Second, to create a separate funding source.

Fifth, AASHTO was also concerned that we not rob Peter to pay Paul. The math is addition, not the reallocation of transit dollars.

Sixth, AASHTO's view is that management of these UMTA resources should remain with the states. Not an unlikely conclusion from an association of states, I would think.

In closing, and these are my personal views, Mr. Chairman, since the Surface Transportation Act of 1978, which gave us section 18, Congress has created a particularly viable partnership with state governments in addressing the needs of public transportation in rural America.

The states carry full weight now financially and managerially with the federal government. Together we have created a particularly cost-effective and responsive public service. There is no reason why we cannot use the same energy, the same skills, and the same people to address the needs of intercity transit transportation on a national scale. We need some money, not a lot. And we need leadership, and Congress has been generous with that leadership in the past.

Thank you very much, Mr. Chairman. I would be happy to take any questions.

[The statement and questions and answers follow:]

STATEMENT OF
LAWRENCE J. HARMAN

CHAIRMAN, TASK FORCE ON RURAL AND SPECIALIZED TRANSPORTATION PROGRAMS
OF THE STANDING COMMITTEE ON PUBLIC TRANSPORTATION

AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS

Mr. Chairman, I am Lawrence J. Harman, the Assistant Secretary for Public Transportation of the Executive Office of Transportation and Construction for the Commonwealth of Massachusetts. In addition, I am Chairman of the Task Force on Rural and Specialized Transportation Programs for the Standing Committee on Public Transportation of the American Association of State Highway and Transportation Officials, often referred to as AASHTO.

On behalf of AASHTO, Mr. Chairman, I am pleased to respond to your invitation to the Association to present our views on intercity passenger bus issues and their impacts on rural America.

Since deregulation of the bus industry under the Bus Regulatory Reform Act of 1982, over 4,000 communities have lost intercity bus service. Over 15,000 communities had intercity bus service in 1982. That number has since declined to less than 11,000 communities. This loss of intercity bus service has been of concern to AASHTO over the last several years.

In the past year, AASHTO has participated in the regional meetings and the just completed national meeting on rural intercity passenger transportation sponsored by the U.S. Department of Agriculture and others. These meetings have highlighted the problems which are occurring in rural America as communities are left without intercity bus service. These impacts are particularly severe on those with limited or no alternatives to this bus service, including those too young to drive, those without access to automobiles, as well as elderly and handicapped individuals.

This loss of service has put increasing pressure on state transportation agencies to assist in solving this problem. States have responded through a variety of mechanisms, including the use of state and federal funds. However, the decline in federal funds for all areas of public transportation has resulted in very strong demands for limited state funding resources.

I would like to give an overview of how some of the AASHTO member states, including my own state of Massachusetts, are dealing with the rural intercity bus issue. This information comes from several studies done on this topic, as well as from the 1987 AASHTO Survey of State Involvement in Public Transportation.

Based on AASHTO surveys of the states, state funding for intercity bus service increased from $15 million in FY 1985 to approximately $24 million in FY 1987. State assistance varies greatly in the amount and type of assistance provided. Some of these programs operate out of general transportation assistance while other programs are specifically for intercity transportation.

Table 1 summarizes the approximately $9 million increase in state funding for intercity bus service in Delaware, Maine, Massachusetts, Michigan, New York, Pennsylvania, and Rhode Island for the FY 1985-1987 period. Table 2 provides more detail for FY 1987. As Table 2 indicates, several states provide funding for operating assistance. However, only a few states provide funding for capital assistance, including my own state of Massachusetts.

Next I would like to discuss some of the individual state assistance programs for intercity passenger transportation in order to give an overview of what is going on around the country to respond to the decline in intercity bus service:

California

California provides assistance for both intercity bus and rail passenger transportation. The rail assistance program has been in effect since 1975.

In California fixed route regularly scheduled service is provided by 73 intercity bus carriers. Approximately 50 of those 73 bus operations are publicly owned or operated. The state of California provides funding to localities who then determine its use.

Massachusetts

The Commonwealth of Massachusetts has developed several "public-private partnerships" with intercity bus operators to strengthen and expand services throughout the state, including rural and small urban areas.

The state has committed $18.5 million to the Intercity Bus Capital Assistance Program (IBCAP), where the state acts as a banker to recapitalize the bus industry. The state purchases new intercity coaches and leases the buses at very favorable rates to private companies providing regularly scheduled intercity transit services. The initial vehicles purchased in 1985 were the first intercity coaches in the United States to be wheelchair accessible, providing intercity travel opportunities for all. The accessible intercity services connect on both trip ends with accessible local paratransit services, all tied together with a single statewide access pass.

The state also provides $2 million in operating assistance to expand and create commuter services from rural and small urban areas into Boston. The assistance contracts are set up with a sliding scale formula, with the state guaranteeing a minimum revenue base to the bus company. When ridership grows and reaches an agreed level, the subsidy stops and the service becomes a profit-making enterprise. The state has acted as a "venture capitalist" to begin new commuter services.

Finally, the state has coordinated the development of interline agreements between bus companies and Amtrak for services on rural Cape Cod. Residents can exchange bus and rail tickets to best meet their travel schedules from the Cape to Boston and New York City.

Michigan

State involvement in intercity bus service dates from the late 1970's in Michigan. The state created a loan pool for carriers to purchase buses at lower interest rates. This program also includes a component for intermodal terminal construction, for which the state cost has ranged from $75,000 to $3 million. Michigan funds its program from a part of the state gasoline tax dedicated to transit.

New Jersey

New Jersey uses federal and state funds to purchase coaches. These coaches are leased to private carriers for $1 per year. This service is primarily commuter oriented.

New York

Following the post-1982 service reductions, New York expanded its program to include intercity bus service. To date, the New York Department of Transportation has directly assisted nine major intercity carriers. New York provides the largest amount of state funding for operating assistance for intercity bus service. In FY 1987 this operating assistance totalled $7.2 million statewide.

North Carolina

North Carolina began its intercity bus and rail programs in 1980. Funding for these programs is provided through state general funds, federal 403(b) rail funds, federal Section 18 funds, and carrier funds. In addition, oil overcharge funds are used to market intercity passenger service.

Oregon

The state of Oregon began a new service this year. In Grant County, Oregon, the major bus lines dropped service in the early 1980's. A joint effort by the Chamber of Commerce, the county, senior citizens, and the state led to new service in early 1988. A 12 passenger van connects with major bus routes in central Oregon. This program is funded by a mix of state funds and federal Section 18 funds.

Pennsylvania

The Pennsylvania Department of Transportation has provided technical assistance and financial support for intercity bus service since 1977. Between 1977 and 1985, the state of Pennsylvania provided $4 million in operating grants, of which 75 percent consisted of state funds.

Wisconsin

Wisconsin provides its assistance for intercity bus routes through the Section 18 program. The FY 1988 federal share used for this program was $363,000

This overview of the state activities in the area of intercity passenger transportation was meant to show the variety of ways in which states are trying to deal with this problem.

However, I would also like to emphasize the point that state resources for all areas of public transportation are limited, particularly in light of the decline in federal funding over the last seven years. Since 1981 funding for the Urban Mass Transportation Administration (UMTA) has declined 30 percent, and if inflation is taken into account, the decline in UMTA funding exceeds 50 percent.

Over roughly that same time period, AASHTO has been conducting its annual Survey of State Involvement in Public Transportation. With the decline in federal funding and increases in state funding, our most recent survey indicates that for the first time, in FY 1987, the lines have crossed, and the total state funding for public transportation ($3.5 billion) now exceeds federal funding ($3.4 billion).

The downward trend in federal funding has strained the ability of states to meet rural public transportation needs. While intercity bus service is an eligible item under the UMTA Section 18 program, the limited funding available for the Section 18 program as a whole makes it difficult for the states to meet all of the competing needs for these funds, including intercity bus service.

As indicated in the figures below, state obligations of funds for the Section 18 program have exceeded appropriations over the FY 1984-1987 period by approximately $138 million. States have used carryover funds and Section 9 funds to help reduce the amount of unmet Section 18 needs.

Appropriation v. Obligations
($ millions)

| | Appropriation | Obligations |
|---|---|---|
| FY 1984 | 70 | 116 |
| FY 1985 | 71.8 | 107.5 |
| FY 1986 | 59.7 | 109.5 |
| FY 1987 | 74.9 | 81.4 |
| TOTAL | 276.4 | 414.4 |

AASHTO, in its Transportation Policy Book, recommends several policy positions with regard to intercity bus service. A copy of those policy statements is attached to my testimony (Attachment A). Let me briefly summarize the AASHTO position and approaches to deal with the intercity bus issue.

One approach, which is incorporated in AASHTO policy statement PT51, is to increase funding for the Section 18 program over and above that currently provided to take into account intercity bus needs. Program requirements inappropriate for intercity bus needs should be waived. While the Section 18 program was not specifically designed for intercity bus purposes and current funding is inadequate for that purpose, an increase in the Section 18 funding level to provide funds for current rural public transportation needs, including intercity bus service, would be appropriate.

An additional approach which is incorporated in AASHTO policy statement PT50, is to enact legislation that provides direct federal financial assistance to fund intercity bus service. This approach would require new authorizing legislation and would create a new category of funding.

In each of these approaches, this funding should be an addition to the UMTA budget, and not simply taken from one of the other UMTA program categories, which are also strained for adequate resources.

The prime responsibility for administration under either of the approaches which I have just outlined should remain with the states.

Mr. Chairman, on behalf of the member departments of the Association, I want to thank you for this opportunity to present our views on intercity passenger bus service. AASHTO stands ready to provide further assistance on this issue as needed. I will be pleased to respond to any questions you may have, either now or in writing later.

TABLE 1: STATE FUNDING FOR INTERCITY BUS TRANSPORTATION
FY 1985-1987

| | FY 1985 | FY 1986 | FY 1987 |
|---|---|---|---|
| Delaware | $ 57,000 | $ 56,000 | $ 60,000 |
| Maine | 50,000 | 50,000 | 50,000 |
| Massachusetts | 5,400,000 | 400,000 | 9,600,000 |
| Michigan | 4,000,000 | 5,889,000 | 5,768,300 |
| New York | 5,000,000 | 6,500,000 | 7,180,000 |
| Pennsylvania | 700,000 | 1,100,000 | 1,250,000 |
| Rhode Island | 930 | 1,000 | 1,000 |
| TOTAL | $15,207,930 | $13,996,000 | $23,909,300 |

TABLE 2: STATE FUNDING FOR INTERCITY BUS TRANSPORTATION
FY 1987

| | Capital | Operating | Total |
|---|---|---|---|
| Delaware | 0 | 60,000 | 60,000 |
| Maine | 0 | 50,000 | 50,000 |
| Massachusetts | 8,500,000 | 1,100,000 | 9,600,000 |
| Michigan | 5,668,300 | 100,000 | 5,768,300 |
| New York | 0 | 7,180,000 | 7,180,000 |
| Pennsylvania | 0 | 1,250,000 | 1,250,000 |
| Rhode Island | 0 | 1,000 | 1,000 |
| TOTAL | $14,168,300 | $9,741,000 | $23,909,300 |

## INTERCITY BUS

### Federal Financial Assistance

**PT50** AASHTO recommends that federal financial assistance be provided to respond to those impacts oft he Bus Regulatory Reform Act of 1982 which adversely affect intercity bus services.

### Use of Section 18 for Intercity Bus Service

**PT51** Although existing programs such as the Section 18 program of the Urban Mass Transportation Act permit funding of intercity bus services, these programs were not specifically designed for intercity bus purposes and funding is inadequate for that purpose. If an existing program, such as the Section 18 program, is to be used to respond to the impacts of the Bus Act, then funding should be over and above that currently being provided and program requirements inappropriate for intercity bus needs should be waived.

### State Administration

**PT52** Prime responsibility for administration of the program should rest with the states.

### ICC/State Regulation

**PT53** As Congress reviews the impacts of the new act, AASHTO urges that consideration be given to adjusting and strengthening the law to assist states and communities in their efforts to keep or replace vital, minimum service. Particular attention should be given to the following three areas:

- A revised abandonment procedure which includes prior notice to the states of a bus company's plans for route abandonment;
- Close cooperation and consultation between the Interstate Commerce Commission and the states on commission grants of new route authority;
- State regulation of scheduling when only a minimal level of service is offered to prevent carriers from intentionally discouraging passenger ridership.

### ICC Regulatory Enforcement

**PT54** The Interstate Commerce Commission should uphold all the provisions of the Bus Regulatory Reform Act.

### Intrastate Regulation

**PT55** Where the length of a bus route is 90 percent or more in one state, the regulation of services should be performed by that state, not the Interstate Commerce Commission.

QUESTIONS OF SENATOR EXON AND THE ANSWERS THERETO

1. Governmental assistance

Question: Please comment on the type of governmental assistance that you feel may be necessary to support intercity bus service, particularly insofar as rural feeder operations are concerned.

Response: AASHTO would like to see federal funding provided for intercity bus service either through the existing UMTA Section 18 program or through a separate program for intercity bus service. The components of such funding are discussed in the paragraphs which follow and in our response to Senator Exon's 2nd question regarding the UMTA Section 18 program.

Federal assistance to support intercity bus service should be flexible to allow for the diversity of transportation services available throughout the nation in such a way that each locality could provide linkages between smaller transportation services available in their community and intercity bus operations. More specifically, a community may have transit services funded through the Health and Human Services (HHS) program and the UMTA Section 18 program. State transportation program managers in such communities need a flexible funding source which can be used for capital or operating purposes around which they can then tailor a program which links these existing services to the intercity transportation network, or provides new service where necessary.

A state program of venture capital using a competitive request for proposal approach toward the private sector intercity industry and the public/private local feeder services may be a superior funding mechanism than deficit based financial support. A streamlined "program of projects" approach for states (similar to that used in Section 18, Section 16(b)(2) and RTAP) would be effective.

2. UMTA Section 18 Program

Question: You recommend an increase in the current funding for the Section 18 program to take into account intercity bus needs. You also argue that program requirements which are inappropriate for intercity bus needs should be waived. Could you elaborate on ways this program might be more effective in meeting rural public transportation needs?

Response: As indicated in our response to question #1, the diversity of rural services available requires a flexible program. The existing Section 18 program provides a good model for delivery of federal financial assistance to local services. Funds can be used for capital or operating expenses, and have been used for interstate regional operations (e.g., Vermont and New Hampshire) in the past.

The major problem regarding the Section 18 program's effectiveness is its inadequate funding level. While the national funding level for the Section 18 program has been in the range of $65 - 70 million per year, the states have averaged an obligation level in excess of $100 million for each fiscal year since FY 1984. This has been accomplished through transfers of UMTA Section 9 funds, which are also in limited supply. Therefore, meeting rural public transportation needs could easily support a funding level in excess of $100 million. In addition, state funds are supporting an annual funding level of approximately $24 million for intercity bus service. These two annual funding figures, $100 million for the Section 18 program and $24 million in state funds for intercity bus service provide an order of magnitude of rural transit needs, including intercity bus service, as compared to the current Section 18 funding level of $65 -70 million.

Another problem with the Section 18 program involves labor requirements. In order to maximize the use of these limited resources, a Section 13(c) labor requirement should be accommodated for an intercity program as they are for the nonurbanized public transportation programs - i.e., state certification.

Senator EXON. Thank you very much, Mr. Harman. Let me start with you, Chairman Urwiller. As Chairman of the State Commission which maintains some responsibility for regulating interstate bus transportation, how would you assess from your perspective the U.S. Interstate Commerce Commission's implementation of the Bus Regulatory Reform Act of 1982? I suppose you may have some quarrels and problems as we all have with the Act itself. I am specifically asking, what has been your interpretation of the ICC implementation of that Act as it affects busing?

Mr. URWILLER. Well, as I pointed out in my testimony, they have, upon a number of occasions, overturned decisions that the states rendered and the state commission felt that bus service should be maintained. And many times it was overruled and discontinuance was allowed for that particular route. I am speaking from a bit of a disadvantage because a majority or practically all of that occurred before I came onto the Commission.

But I know with talking with the staff and other commissioners that that was what had occurred in the past. And, of course, now the service in Nebraska is basically along I-80 and the northern tier still has service as a result of federal funding. But if that should ever be discontinued, I am sure that route then would also be abandoned.

Senator EXON. Chairman Urwiller, was there ever a time on a specific denial or pullout by the Nebraska Commission, that the ICC sustained your action? Or in every case did he overrule your action?

Mr. URWILLER. In some cases they did not.

Senator EXON. They did not overrule.

Mr. URWILLER. But in most cases they did.

Senator EXON. I just have one question for you, Mr. Harman. Thanks for coming a long way. If you would not have mentioned it, we probably would not have noticed your accent, but I focused on it.

In your testimony you have indicated that for the first time in fiscal 1987, I believe it was, that the total state funding for public transportation now exceeds the federal funding. Has this shift in funding source affected the priority given to the various types of state transportation spendings? And do you expect that most states will be willing to pick up their share of some kind of a partnership arrangement that I think we are going to have to have with the federal government, I emphasize? The state government, I emphasize? The carriers, I emphasize? The local communities, I emphasize? Do you believe that the states would be in a position to have some increased funding in these areas if we could provide some seed money at the federal level?

Mr. HARMAN. Mr. Chairman, in looking back over our section 18 experience, I think that is a valid point. In my fifteen years in this business, we have created a major new role between the state and the federal government literally a major new industry in ten years. And clearly, AASHTO's survey, the states have shown that they have bought in in a very big way.

To directly respond to your change in priorities, I have not seen a major change in priorities. I see a filling in where federal funds have been cut back. I see, as you have pointed out in your remarks

on local government, in my state I see a very strong role for both the local government as overseers of the level of service and as advocates for local service as well as the private sector.

For instance, we prohibit public agencies from operating in Massachusetts. They have to contract out to the private sector. So we have built in that private sector component. That is why I am encouraged that you are looking at this because I think that we have created some new financial mechanisms, and they are not all just big money solutions on how states and the private sector and the local government can work together.

Senator EXON. Have you been involved, have the mayors or whatever you call them in the Commonwealth, the heads of the cities, or city councils been actively involved in the promotion of some of your success stories in Massachusetts?

Mr. HARMAN. Yes, sir. Again, it is institutional. The regional transit authorities are made up of the chief-elected officials of the cities and towns. And so they are held accountable by the local populus on what is going to happen with service. I think that has certainly kept us at the state being responsive to them because they are very active.

Senator EXON. Thank you, Mr. Harman. Thank you, Chairman Urwiller. There may be some additional questions that we will submit to you for the record. Please respond as quickly as you can to any questions that we direct to you because they will be a part of the record. Thank you for being here, and we enjoyed your valuable testimony.

Mr. URWILLER. Thank you.

Mr. HARMAN. Thank you.

Senator EXON. I now call on our third panel which is a makeup of the transportation providers who have the keyest of key roles to play in all of this. Mr. Fred Currey, chairman and chief executive officer of Greyhound Lines, Incorporated of Dallas, Texas; Mr. Gayle Hook, chief executive officer of the Jefferson Lines, Kansas City, Missouri; and Mr. Charles Busskohl, president of the Arrow Stage Lines and vice president of the Black Hills Stage Lines from Norfolk, Nebraska.

We will begin, Mr. Currey, with you. Welcome to all of you and thanks for coming.

## STATEMENT OF FRED G. CURREY, CHAIRMAN AND CHIEF EXECUTIVE OFFICER OF GREYHOUND LINES, INC.

Mr. CURREY. Thank you, Mr. Chairman. It is a great pleasure to be here. We have submitted a statement for the record.

Senator EXON. We have already accepted that, Mr. Currey.

Mr. CURREY. Thank you, sir, very much. I would simply like to remark very briefly that the statement has five specific conclusions that we would wish to put forward.

First, that rural transportation now gets only 3 percent of UMTA funds. We believe that amount should be doubled to 6 percent. We believe that it must be doubled to achieve an acceptable level of mobility.

Senator EXON. In dollars what is that, Mr. Currey, presently?

Mr. CURREY. In dollars that would be for section 18 providers another $52 million.

Senator EXON. So it is $52 million now.

Mr. CURREY. It is moving from the 2.93 percent.

Senator EXON. Percent.

Mr. CURREY. To a 6 percent level. I would have to submit the dollars. I have the dollars broken down state by state.

Senator EXON. If you would provide that for the record, if it is not in your testimony.

Mr. CURREY. I will do so.

Senator EXON. Okay.

Mr. CURREY. Second, with the available funds, the focus for section 18 carriers we believe should be brought to include rural intercity travel. Today very necessarily the focus is on local rural travel within the counties from main towns out to the crossroads. True mobility requires better connections to the outside world.

Third, we believe the section 18 providers should be allowed to pick up and deliver small packages because we believe small packages in rural areas are equally relevant to transportation people.

Fourth, we believe that the rural providers need facilities, identifiable facilities to focus transportation interests in rural areas, rural transportation centers, if you will.

And finally, we believe that there is a need to build upon UMTA's leadership in the area of competitive services. Everyone knows private carriers are winning contracts for urban transportation services. We believe private carriers could be effective in rural areas.

And finally, although it is not in my prepared remarks, I would like to support, what others have said, that is the necessity to buy down insurance costs. And perhaps in questions and answers, I might expand upon that somewhat.

[The statement and questions and answers follow:]

STATEMENT OF FRED G. CURREY

Thank you, Mr. Chairman. Ladies and gentlemen. It's an honor to be invited here to discuss the urgent need for better public transporation for our small towns and rural areas.

After years of decline, Greyhound is now under new owners who are seeking ways to restore service to rural areas. During the past 10 months, we have formed a partnership with local transportation providers funded under Section 18 of the Urban Mass Transportation Administration (UMTA). Our program, known as The Rural Connection, takes in 34 providers in 9 states, and will soon expand into several additional states.

Based on our experience, we advocate an incease in UMTA funding for rural transportation. Right now, non-urban areas receive only 3 percent of UMTA funds, and we advocate a doubling of that amount, to 6 percent.

The increased funding would provide these benefits:

Many local providers now offer excellent services to specialized groups, such as the handicapped, elderly, and low income citizens. From this foundation, they could expand their services to the general public, as permitted by law.

Expansion should be based on the need to match their schedules to intercity and intermodal schedules. Often, they now operate Monday through Friday from 8:30 to 5, while the majority of our passengers travel after work and on weekends. Also, the focus today is on local rural transporation for medical, employment and shopping needs, and not on intercity travel.

These providers could acquire their own transportation facilities, which would be needed for expanded operations.

Efforts to provide transportation services to a broader segment of the community will require funds for marketing and advertising, which are not now available to many providers.

Greyhound can contribute to this expansion. Some local providers that acquire terminals could provide terminal services for our passengers, too. Those providers could become Greyhound commissioned agents, receiving commissions for each ticket sold and each package shipped. This would be a new source of revenue, and benefit the community. We now have an excellent working relationship with the local provider in Boone, North Carolina, which is also our agent.

We have two other recommendations.

First, UMTA's new Entrepreneurial Services Program can assist dedicated private-sector people who lack the capital to enter the transportation business. Our agent in Farmington, Missouri has applied for a grant under this program to begin van service along roads no longer served by other intercity carriers.

Second, we endorse UMTA's policy of competitive services. In urban areas, many commuters enjoy improved services because a number of private companies are competing for contracts.

It is a good idea, one that we now need in rural areas, too. Let me explain. In the year since we bought Trailways Lines, we have worked hard on many levels to find alternatives on routes that are not economical for us.

We have talked with other carriers about taking over some of our routes. We have discussed the issues in great detail with state regulatory people, including several people in this room. We've made arrangements with Section 18 carriers. We have encouraged our agents and others to set up van operations.

After we have tried everything we can think of, however, there are still some routes that do not pay their way, routes that can not be operated by a private carrier that must cover its costs to stay alive.

That means there must be a public-private partnership to provide transportation in some areas. That means the "S" word, subsidies. Not subsidies for Greyhound or the other carriers, but subsidies for the people who need the service.

When the railroads were restructuring in the 1970's, Congress passed the Local Rail Service Assistance (LRSA) Program to provide financial assistance to states trying to preserve service on lines that otherwise would be abandoned.

Later, when the airlines were restructuring, Congress approved the Essential Air Service subsidy for communities where air service might otherwise be abandoned. And just a few weeks, that subsidy was extended or another 10 years.

The bus industry was treated differently. Congress deregulated, but left it up to the carriers and the states to work out the restructuring and the transition.

The answer, as I have just suggested, is a public-private partnership based on competitive services. Fortunately, that is now evolving. It is my understanding that the states of Kansas and Colorado have filed with UMTA, or will file shortly, for competitive services demonstration grants.

The states will determine the routes they want served, and the level of service, and ask for bids. A carrier will win the contract, and provide the service at the agreed price. The state will collect the farebox revenues, and make up the difference.

That's the way competitive services work with urban park-and-ride contracts. The system should work just as well in rural areas.

Thank you again for asking for my views. I would be pleased to answer your questions, or provide additional information on our programs.

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## Questions of Senator Exon and the Answers

### BUS REGULATORY REFORM ACT

*Question.* 1. The 1982 Bus Act generally gave carriers greater entry and rate flexibility. Reviewing the years since its passage, what is your assessment of the implementation of this Act as well as its impact on the Intercity bus industry?

Answer. The Bus Regulatory Reform Act (BRRA) was a well balanced piece of legislation that has had an overall beneficial effect. By increasing entry, rate and exit flexibility, the BRRA has produced a more competitive bus industry. This, in turn, has produced in the last eighteen months an increase in bus ridership following decades of decline.

The main problem with the BRRA has been that it did not provide an effective essential service assistance mechanism to mitigate the effects of lost bus service caused by the abandonment of unprofitable routes by private sector companies. It is

clear that such abandonments are a necessary part of a bus company's effort to remain viable in the deregulated intermodal environment, but it is equally clear that some of that service is vital to Rural America, and alternative service on a publicly assisted basis should be provided. Our proposals for a program that would include such provision for essential services were outlined in the Omaha Hearing and are discussed in further detail in our response to question 3.

RATES AND RIDERSHIP

*Question.* 2. How would you compare your ticket prices and cost of providing service with those of the other modes?

Answer. Bus industry ticket prices and costs of providing service historically have been lower than the other modes of travel. This factor, along with the flexibility of bus service, has been our major market advantage. In the late 1970's and early 1980's, airline deregulation and increased subsidies to competing modes caused us to lose that market advantage, and this resulted in a precipitous decline in bus ridership. In the last several years, this trend has reversed itself as the most extreme effects of airline deregulation have moderated and subsidies to competing modes have been reduced. At the same time, Greyhound has been able to rationalize its cost structure and thus has been able to keep bus fares down. The result is that we have regained at least some of our low cost market advantage.

*Question.* 3. What is your assessment of the Rural Connection Program as it has operated in the mid Atlantic States, and are there areas in which States, local communities or the Federal government can be more helpful in assisting in this project so as to facilitate expansion to other regions?

Answer. In the year since The Greyhound Rural Connection program began, we have initiated service in nine (9) states with thirty-four (34) rural transportation (Section 18) systems. During this time we have identified several factors which directly impact upon the program's future success. These factors include:

The service of most rural transportation systems is too narrowly focused upon the "social service" rather than the "general public" needs of their constituency,

The hours and days of service for most rural systems are too limited to effectively coincide with that of the intercity industry,

Most rural systems lack sufficient expertise and resources to effectively promote the new service,

Few rural systems are housed in facilities which promote a proper system and which could serve as an intermodal transportation center for all local intercity transportation modes, and

Economic development in rural areas could be dramatically improved if rural systems were able to provide small package delivery services.

RECOMMENDATIONS FOR THE FUTURE

True mobility in rural areas requires not only the services necessary for local travel needs but also better connections to the outside world. Such a connection can be effectively provided through establishing the linkages between the public and private sectors, as offered through The Rural Connection program.

Based upon our recent experience in implementing this program and thus improving the social and economic health of rural communities, there are several improvements needed to more effectively improve the chances of success for rural providers. These improvements can be summarized in five (5) recommendations as follows.

1. Funding—Rural areas of less than 50,000 population account for approximately 38% of this nation's total population. These same communities, however, receive less than 4.0% of UMTA Mass Transit Account funding. Rural motorists pay 41% of all the federal gasoline taxes which comprise that funding. Sixty-five (65) million Americans are considered transportation disadvantaged (the elderly, disabled, and poor), and approximately 41% of these people, or 26,650,000, live in rural areas. These same communities, however, receive less than 4% of the total UMTA mass transit account funding.

In order to improve the ability of rural systems to provide effective public transportation services, the funding for administration and operations should be doubled immediately. This increase in funding is not only justifiable, but essential.

2. Focus—With the additional funding as described above, the rural provider recipients should be required to expand the focus of their service. Such a requirement should include coordination with the intercity industry to incorporate service connections, the expansion of a providers service days and hours, a priority for using these funds for marketing, and added service for greater capacity for the general public.

3. Package Service—Coupling the social and economic needs with the revenue needs of most rural providers, these rural systems should be given blanket authority to transport small packages. Such authority should allow this practice under contract with intercity bus companies and other package companies, as well.

4. Facilities—Recognition of transit in a community is essential to its success and the prsesence of a fixed, clearly-identifiable facility is extremely important to that recognition. More practically, a facility allows a public transportation system to store and maintain vehicles in a secure location. Additionally, a facility which is effectively planned and constructed would allow an intercity carrier to utilize it as a stop to further enhance the coordination.

As a result, we recommend that a funding set-aside for the construction of local transportation centers in rural areas be made at the federal level. This set-aside should be earmarked for Section 18 systems and possibly some local private, for profit transportation providers coordinating with the intercity bus network.

5. Competitive Services—As mentioned earlier some rural intercity routes, in spite of all alternative options pursued to the contrary, do not and will not pay for themselves. A result of this is that if services are to be continued then some form of subsidy is necessary—not a subsidy for Greyhound but one for the people who need the service. We feel that an approach to these services on a competitive bid basis, similar to that used in urban transit system, is the most effective approach.

Senator EXON. Thank you, Mr. Currey. Mr. Hook.

## STATEMENT OF GAYLE HOOK, CHIEF EXECUTIVE OFFICER, JEFFERSON LINES

Mr. HOOK. Thank you, Mr. Chairman. I appreciate the opportunity to appear today, and I commend the committee on its interest in the quality of bus service. The Jefferson transportation group and its family of passenger carriers have always prided themselves in the transportation we provide the large and small communities throughout our 12-state area in the Midwest.

I am happy to say that Jefferson has been able to expand its service in the six years since the passage of the Bus Regulatory Reform Act of 1982. We have done this through the purchase of other bus lines and through the expansion of our operations. We stress service to small towns. And today we serve more points than ever before.

We have worked closely with local communities and state regulatory agencies to identify the towns and cities which need and can support bus service. We are always looking for opportunities to improve it.

Jefferson admittedly has had to withdraw service from a few small towns, but we have done this only after a pilot program of community awareness has shown that this community support simply was not strong enough to make continued service possible economically.

In the few cases where service had to be discontinued, this was done with full consent of both the communities involved and the regulatory agencies.

So Jefferson views the bus industry, we take an optimistic position. We believe the opportunity is there for continued service to Americans who depend on buses.

We need to point out to the committee, however, some challenges to both Jefferson and the industry which can threaten our stability. If they are not met, these challenges could jeopardize our ability to perform at our current high standards.

First, the DOT and state agencies must assure that all bus lines, large and small, adhere to strict safety standards. DOT does the

best it can with limited resources, but it needs more manpower to inspect the proliferating number of small carriers admitted to the marketplace through deregulation, particularly in the charter field.

When an unsafe passenger carrier has an accident, it gives the whole industry a black eye. Jefferson is proud of its safety record. We think every bus line should be as safe as we are. For this an enlarged and improved government sponsored inspection program is required.

A companion problem is the cost of insurance. Rates have been driven up by liberal juries and judges as well as greedy insurance carriers, and we are paying the price. The answer is to maintain the $5 million insurance minimum as required by the Bus Act, but to be sure that a bus line is safe before insurance is issued.

There should also be regulatory safeguards against the outrageous pricing insurance companies are having that the bus industry is facing. Current insurance rates are far beyond our financial strength and are eroding our net worth. This in the long run will have a negative impact on our operational capability.

From a competitive viewpoint, it should be the objective of the bus industry as a whole to get people out of the cars and on the bus and to make passengers out of airline riders. This is a marketing challenge that we should meet with better service, cleaner depots, and, most of all, attractive pricing.

Particularly in the last year, great progress has been made in these areas for which Greyhound and its new management deserve much credit. With continued effort, the result could be excellent, both for the traveling public and our industry.

And in this regard, the recent approval by the ICC for Greyhound to absorb Trailways has been very important. Jefferson has strongly supported Greyhound's request during the ICC's proceedings and continues to support the ICCs final decision. Jefferson has always enjoyed its working relationship with Greyhound and Trailways.

We have worked with them individually in the past and continue to do so as a single unit in the present to provide through service to and from hundreds of small towns, particularly in the rural America.

For the good of the entire industry, however, it is essential that this kind of a relationship continue. The Greyhound/Trailways combination represents an entity that dwarfs the rest of the industry.

Smaller companies without appropriate arrangements with Greyhound in terms of through service, terminal agreements, connections, and so forth could not provide the level of service the traveling public deserves.

We think the federal government can help us do a better job, not through direct subsidies, but through the carrier. We are not looking for handouts. Rather we think the government can act as a catalyst in a continuing productive relationship between the bus company on the one hand and local communities and state agencies on the other.

Where marketplace economics make it impractical to continue bus service, particularly the small towns, the government might

well consider aid to these towns to allow them to continue to attract service.

Jefferson cannot market its service to every point in the 12-state area, but working with the government can offer the best transportation possible. We cannot afford to allow bus service to deteriorate. No other mode of transportation is an adequate substitute for our clientele: the senior citizen, students, and needy without other needs to access transportation.

Once a passenger carrier withdraws its service, a huge effort is needed to restore. It is far easier and cheaper and better for the public to preserve what we have. Thank you, Mr. Chairman.

Senator EXON. Thank you, Mr. Hook. Mr. Busskohl, welcome to you.

## STATEMENT OF CHARLES BUSSKOHL, PRESIDENT, ARROW STATE LINES

Mr. BUSSKOHL. Thank you, Mr. Chairman. It is indeed a pleasure to be here with some national decision makers so that we know that probably some national efforts will come out of this meeting.

I will try and summarize as best I can my prepared remarks. The first thing I would like to do is reemphasize what has been said here, that we are trying to emphasize mobility to the outside world. Not just as has been said before, mobility within a county or within a very small distance from the small city.

Just a little bit more word about the Black Hills Stage Lines which has been a demonstration project. We started on that route because a group of people, very interested leaders in that area came to us and said, we formed a committee called Save the Train because the train was going to be discontinued. So we said, well, we will give it a try. But we had to have a hearing first in those days. As you know, you had to prove that this was necessary.

There were some objections from some other carriers. Because of the proven need at the time, and I believe still a proven need for the people that are left in that community in that area, it was granted on the spot, which was hardly ever, ever done before. So I guess that is a first.

But now we have another committee that has come to us called Save the Bus. That is about a twenty-five year period.

Senator Pressler had said that maybe some of the reasons for the decline in ridership would be because of unreliability and not knowing if the service was there. I do not know about others, but we have been there doing the very same thing for twenty-five years, so it cannot be that reason on that line.

Senator EXON. Is the point you are making that, at least as far as your lines are concerned, you go through all or most of these communities at a time where you have always gone through there or a convenient time?

Mr. BUSSKOHL. That is correct.

Senator EXON. So convenience and a lack of reliable service have not been factors in your case?

Mr. BUSSKOHL. We believe that. And I would like to address another point that I believe you also said, Mr. Chairman, that it would be convenient if we could pick up everybody at nine o'clock

in the morning. But it is impossible to do that if we are trying to give them the mobility to the rest of the world. Because there are some people who are going to have to be picked up in the middle of the night. There is no way around that unless you can run a dozen pieces of equipment, which is impossible to do on that situation.

I would like to address another situation. People have said let us be innovative, and we have been. A lot of people have been, maybe probably more innovative than we have been, use a smaller carrier van, let us say.

We have had a study done. I thought it was a very good study. And Fred Fraver was here. I do not know if he is still here. He was involved in that study in a lot of statistics. And one of the things that came out was that the type of equipment that we are using today, which in the industry is called a Buffalo, which is kind of a, I believe indicates where we are. So the Buffalo is still roaming out there.

But that piece of equipment is a very acceptable piece of equipment, and I would have anybody get on that equipment and you would be well-satisfied with the ride, the amenities, and everything else that goes with it. Plus it is a much safer piece of equipment than a van.

If you just look at one beside the other and if they are involved in an accident, you can tell, now I know you can tell me which one is going to come out of there unscathed or the least amount of damage.

Senator EXON. Let me interrupt you here. Does that show up in decreased insurance rates?

Mr. BUSSKOHL. No.

Senator EXON. Or is the insurance the same for a Buffalo as on a van?

Mr. BENSON. That is right.

Senator EXON. It does not make any sense, does it?

Mr. BUSSKOHL. No. But there are a lot of things that do not make any sense.

Governor Terry Branstad said, had a few comments also that would kind of sum up some of the things that have, were said in this conference that we were at also. One of his summaries was that rural America however is doomed to even further decline if there is not reason and positive action. Clearly, we cannot sit idly by and watch the demise of rural America because that is really what is happening when you lose transportation and mobility.

Branstad also added that federal and state officials should bolster their commitment to rural infrastructures such as transportation, health care, and education. Rural America is passing through a very critical time, and the opportunity to act is now.

We at Arrow Stage Lines and Black Hills have been at this for over six years. We intend to continue doing it. But without a subsidy at this point in time, we are going to have to put our efforts where we can actually make the money to pay for the equipment, provide the jobs, and provide a profit. And that is in the more urban areas.

And there is one other thing I would like to say. I believe that without increasing the amount of money that the government is spending, there is money that is in, already in these areas that

could be put in another area such as HHS funds or spent for a lot of items. Section 18 funds are spent for a lot of things, but they could be reallocated without very much hurt with somebody that is losing these.

And I thank you very much for the opportunity.

[The statement and questions and answers follow:]

STATEMENT OF C.D. (CHUCK) BUSSKOHL, ARROW STAGE LINES, INC.

RURAL TRANSPORTATION

Today, as it has always been, the major competition for the motorcoach, and for all elements of public transportation, is the automobile. We serve those people who are without private automobile transportation available to them, primarily the elderly, the young, and those without significant discretionary resources. We also carry time- and need-sensitive freight such as blood, perishable flowers, agricultural machinery parts.

As America's farm economy has suffered over the past decade, the rural communities which serve them have suffered, as well. The bad economy has led to population losses in many of the agricultural regions served by Arrow Stage Lines. That, in turn, has affected the way we must do business.

The federal study has, however, shown that we are operating at maximum efficiency by providing the lowest cost and best possible equipment. Since scheduling has played a very minor role in our test, we have subsidized the schedule with our charter and tour services. This should not be. The schedules and services, in any real circumstance application, should be on their own, relying on the same justifications as any commercial business.

On the subject of business conditions, I'd like to discuss the experience of Black Hills Stage lines, started in 1962 when "Save the Trains" asked us to operate along this route. Despite strong opposition from Greyhound, Trailways and a handful of smaller carriers, our permit was issued right at the hearing (an unheard-of occurrence in those days). Ridership increased gradually, and a significant share of our revenue base then was express delivery.

That base, however, was eroded when the United Parcel Service (UPS) was granted inter- and intra-state authority and began to service the same communities as Black Hills Stage. Passenger services had grown well, but the more recent development of fuel-efficient engines and the corresponding drop in motor fuel prices in this decade has been reflected in a noticeable drop in the number of motorcoach passengers. Today, that spiral is continuing.

The fact is that the commercial bus industry's growth areas are not in sparsely populated areas of Nebraska. They are in the more densely-populated areas of Nebraska, Kansas, Missouri and Iowa. That is where we will be forced to concentrate our resources.

That fact is based on the reality that schedules which serve sparsely-populated areas—which are not through coast-to-coast travel—will never be operated at an unsubsidized profit. Scheduled passenger service relies on the "overhead traffic," (people going longer distances) to help fill the seats. Local passengers alone cannot sustain the level of operating revenue to keep scheduled routes in operation. Since Greyhound is the only carrier capable of doing this, and since they control the flow of long-distance traffic with their network of agents, it's obvious that smaller carriers trying to serve small rural areas cannot stay in business without some form of subsidy.

We feel that the actual user, the rider, must somehow make a commitment to use the system which is provided. Toward that end, we propose the use of passes which could be purchased on a quarterly, semi-annual or annual basis, allowing the transportation provider to be assured of an economic foundation and a baseline of rider need. Funding for the passes might come from actual customers, government and the business and industry who are served.

As a private businessman, I want to emphasize at this point that I do not favor government subsidies as a first solution to the problem. I prefer that we turn to merchants, charitable agencies, private trusts or even development corporations—as well as the potential riders—in establishing a transportation pass program.

I also believe that in establishing a program, we need to keep in mind the comments of Iowa Governor Branstad, who said, "Too often, communities embark on programs that respond to federal objectives rather than local priorities. Far too many federal programs are aimed at pumping federal money into a community with

little thought to long-term needs." The Governor called for officials to change the mix of federal spending in rural America to promote growth and economic change. The current mix is skewed toward programs that maintain income rather than promote economic change.

Rural America, however, is doomed to even further decline if there is not reasoned and positive action. Clearly we can't sit idly by and watch the demise of rural America. Branstad added, "Federal and state officials should bolster their commitment to rural infrastructures like transportation, health care and education. Rural America is passing through a time of trial and opportunity. The key to the new alliance is greater flexibility in federal programs."

We at Arrow Stage Lines enjoy the transportation business. We have for 60 years. We want to serve the people, especially in our homes, the rural areas of this nation. But, we cannot, should not be expected to do it, at the cost of lost revenue any longer.

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QUESTIONS OF SENATOR EXON AND THE ANSWERS

BUS REGULATORY REFORM ACT

*Question 1.* The 1982 Bus Act generally gave carriers greater entry and rate flexibility. Reviewing the years since its passage, what is your assessment of the implementation of this Act as well as its impact on the intercity bus industry?

Answer 1. It has allowed companies to drop unprofitable routes. It has allowed operators that wanted to and had a market for charters and tours to expand that profitable portion of their business. No doubt it has caused many small cities to lose services.

PUBLIC-PRIVATE PARTNERSHIP

*Question 2.* We have heard that some kind of public-private partnership may be necessary to provide transportation in some areas. What, if any, specific recommendations do you have for the structure of such a program?

Answer 2. Allocate money from the Post Office Dept. to allow buses on rural routes to once again carry mail. At present that is done by trucks going over the same route (carrying mail). Letting buses carry the mail would be much more cost effective and provide the basis for covering the operating costs.

RATES AND RIDERSHIP

*Question 3.* How would you compare your ticket prices and cost of providing service with those of the other modes?

Answer 3. They are much lower than any other form of transportation available. Also most of the time the bus is the only form of commercial transportation available.

MERGER OF GREYHOUND AND TRAILWAYS

*Question 4.* How has the merger of Greyhound and Trailways affected your operation, particularly as it relates to rural America?

Answer 4. The merger at this time has had no affect that we can see.

Senator EXON. Thank you very much, Mr. Busskohl. I just want to first thank you as a group. I think we have had earlier records to the fact that you have been very forthcoming as operators, and your statements are very forthcoming. And that is what we need, cooperation between government and private industry to solve some problems.

And you are very unique, gentlemen. And those of us who are very much concerned about rural America recognize that there are people like you. Not a lot like you, Mr. Currey. But there are other people in the busing business, smaller operators that play a role as regarding basic transportation service.

Let me ask you this question. We keep talking about local involvement, and I can tell that yours are success stories. You entrepreneurs have done a good job at that.

But, I keep coming back to the feeling that, the success stories that you have experienced are to some extent and probably to an important extent at least where you have doers in communities who will work with you to save the bus? Without that you could have the best service in the world and you might not be successful. You have got to have some promotion on the local level; is that right?

Mr. BUSSKOHL. Absolutely correct.

Senator EXON. We have all kinds of local people that are promoting industry which is very vital. And promoting essential air service is vital and all these other things. But sometimes I think bus service has been taken for granted because that is something that has always been there going back to the stagecoach days.

I would say, Mr. Busskohl, that I do not think you need to run down your Buffaloes. There is a pretty popular automobile called the Colt today. I do not know how it rides. But there are a lot of them. I have never ridden a buffalo. I have ridden colts. But a buffalo could not be much worse, I guess.

Let me ask you a question. This is into the tough area for you. Certainly the main competition to the bus service has been airlines.

Do any of you have stops at airports as a part of your bus service? I am thinking, Mr. Busskohl, if I lived in Chadron or Ainsworth or Valentine or O'Neill or someplace and I was coming down, take a bus to go to Chicago, Illinois, I could go bus all the way. Or if I wanted to, if I were going to Washington, D.C., I might feel that probably if I could get to one of the cities, let us take Omaha for example, that I could take an airplane out. Do any of you make stops at airports? Or do you not make stops at airports?

Mr. BUSSKOHL. We do not right now, but we have toyed with the idea. And basically we have tried to combine it with the schedule, and we found that that really does not work. Most of the people that we have found that ride the airline want to go right to that airplane, and they do not want any stops or diversions in between. And the ones that are successful that I have seen do just that.

Senator EXON. But there is not, for example, there is no airline service from Valentine, Nebraska?

Mr. BUSSKOHL. No.

Senator EXON. If they do not have a car, you are the only public conveyance they have?

Mr. BUSSKOHL. That is correct.

Senator EXON. You were shaking your head, Mr. Currey. Go ahead.

Mr. CURREY. Well, I would like to make this point, Mr. Chairman and Senator Pressler. Our view is that we compete with air, auto, and stay at home. We compete with stay at home when our service levels are not quality-enough for people to want to travel. But I would submit that people ride buses one time and air the next time because the trip purpose and the time-sensitive character of the trip changes.

For instance, everyone in this room has within the past five years, I will venture to guess, been on a bus for one particular trip or another. Perhaps it was a charter bus; perhaps it was a regular route service.

When on the bus there was a time sensitivity/price sensitivity that made the bus fit that trip. On the other hand, to state the obvious, for your trip out here from Washington, the time-sensitivity nature of the trip made it impossible for you to even consider the bus as a viable means of transportation.

So we view that our challenge is to have a route infrastructure, a fabric, a network that makes a fabric that is so densely woven that when your trip purpose, the time sensitivity of the trip, and your financial circumstances are such that the bus is viable, you can utilize the bus. We believe that air and bus service are not mutually incompatible, in other words.

Mr. HOOK. We will try and serve any airport that one of our regular scheduled services goes through at a time that is compatible to air traffic. We feel that it is an intermodal means, that it does generate business for us, both in and out of the airport.

Senator EXON. Again, it probably depends on the area and where you are going. I am just thinking that somebody driving from the west end, the bus end of downtown Lincoln, for example, they normally would go right by the airport. If they could stop off, they could just charge the passengers for it, and then go on downtown. Mr. Busskohl, do you have anything to add to that?

Mr. BUSSKOHL. No. I think that covers basically the way our situation is.

Senator EXON. Gentlemen, thank you. I found your testimony very informative. We look forward to working with you. Yes, I recognize you, Senator Pressler. I was just trying to finish up and turn it over to you.

Senator PRESSLER. Do not forget me.

Senator EXON. I will never forget you. I just want to say that there may be some additional questions for the record. Keep in touch with those of us who are very much concerned about this and have proven ability to get something done about it. We want to work with you on a cooperative basis because we think this is tremendously important for rural America. Thank you for your help. Senator Pressler.

Senator PRESSLER. Thank you. I really appreciate the three gentlemen we have here because I think you are leaders. Obviously, you have to provide a profit to your shareholders and to the people who own your companies. I appreciate what the Black Hills Stage Lines is doing in South Dakota.

Let me ask you about a decision that you sometimes have to make when you drop a bus line. Someday when you are sitting with your board of directors, you may have to make such a decision. At what point do you drop a service line?

Mr. CURREY. Could I comment about that?

Senator PRESSLER. Yes.

Mr. CURREY. Could I perhaps refer to this chart over here because it is ideally suited to show the dropping and resurrection, if you will, of a very specific line.

Greyhound Lines eight years ago ran from Cleveland along Lake Erie to Toledo and hence to Detroit and Chicago. They also ran from Toledo along a federal highway to Akron on U.S. 20 to other points east. The "I" road came in the middle. Service on both of these roads collapsed onto the "I" road, literally collapsed, and it

left Sandusky, Port Huron, Fremont, Bellevue, and Norwalk with no service.

Enter some modern American heroes, not Fred Currey. Enter our commission agent Lee and Jane Wood at Sandusky, Ohio, connecting with our service that operates along the interstate with nine schedules a day.

Lee and Jane, with our help as a financial intermediary to buy down their cost of money on their van, have established a van service from Sandusky, Port Clinton, Fremont, Clyde, Bellevue, Norwalk, back to Sandusky. That service was established on March the 18th. The first fifteen days 18 people were carried and a number of packages. Last month, 600 people were carried on that service, 25 percent of whom were going between points on the system, not even entering through our system or exiting through our continental system. The other 75 percent, however, either entered coming from places as far away as Corpus Christi, Texas. I have looked at this list, and some of these places close to home stick in my mind.

So there is an example of the exit and the entry. I rode this route on the date that it opened up, and the mayor of Port Clinton had participated, Mr. Chairman and Senator Pressler, in the dispute that arose over the service discontinuance eight years prior and he said, gee, I never thought I would see this day again. But he did see the day again.

Senator PRESSLER. That follows Senator Exon's point. It takes the involement of local officials at some point.

Mr. CURREY. Indeed it did. Because the catalyst were these modern America heroes, Lee and Jane Wood, a terrific couple. They now have two vans. Lee drives one, and another employee drives the other one. And they are doing just terrific.

Let me just say one thing about the economics of this because I think it is very key. It takes between 40 and 50 cents a mile to operate this vehicle, and it carries 11 people. And that is all that is needed because of the pickup and the delivery of the people around the route to meet our services at Sandusky.

If we operated a $200,000 47-passenger vehicle along this route, it would be between $1.40 and $1.50 a mile. And still we would just fill the 10 or 11 seats on the 47-passenger vehicle. Now, I hope that someday a vehicle, a Buffalo or an Eagle or an MCI, will be needed along this route. And if it builds, there will be one there. But right now a van is all that is required.

Let me show you just one other example of the raw economics of the business. This is a lot in Houston, Texas. And this is a story of public/private cooperation where essentially we are leveraging in-place capital investments by both the public and the private sector to improve service from suburban America to rural America and urban America. And indeed 40 percent of our trips have a rural origination or rural destination. Thus the importance of this economic exercise.

Houston Metro has an UMTA sponsored and funded bus guideway on I-10 out to a huge park-and-ride lot that is at Katy, Texas, a western suburb of Houston.

We are working together with UMTA now to place a suburban intercity terminal here. Because from this point west to San Antonio and slightly northwest to Austin, it is a three-hour trip. It is a

three-and-a-half-hour trip from here. If one goes by air from this point through the city to Hobe Airport, or to Intercontinental, the major airport, and then flies to San Antonio or Austin, the elapsed time on the trip is approximately the three hours that it takes to go out and down this direction.

So there is a lit and secure parking lot here. We will add, with Metro's and UMTA's cooperation, a suburban terminal at this point. If this works as an experiment and this is being done under section III of UMTA funds, we hope, then we will have similar suburban terminals at every spot in Houston.

I am not of sure of the application of this system in this area because I do not know the geography as well here.

Senator EXON. We know the geography.

Mr. CURREY. I believe you know, sir. So if with the Omaha transit system and the Lincoln transit system we established suburban park-and-ride terminals, then we would change the availability and time of bus service from a western Omaha suburb to a northern Lincoln suburb. And it is that kind of public/private action in and around the urban areas that is very helpful.

Now, I do not have another chart, but I would like to make this very key point. Our view is that the rural transportation programs that support the handicapped and the elderly are desperately needed. But our view is that they are only a piece of the solution in that a viable rural transportation infrastructure cries out for and demands transportation for working-age people also.

It demands transportation for packages, essentially parts to maintain machinery going into rural areas. And it demands a transportation system that will take goods manufactured in small lots in rural areas, and there really is a heck of a lot of this going on in some of our areas of the country, even computer forms where it is done, and computer work is done in a cottage-industry fashion, back into the urban areas.

So we believe an expansion of the scope of this section 18 program, to be broader, not to eliminate anything, but to be broader is quite relevant. Thank you.

Senator EXON. Thank you for your presentation. We are going to the last panel. Any questions?

Mr. BUSSKOHL. I would like to maybe answer the question a little bit differently. You were asking at what point we would drop a service. And from our standpoint, looking directly at the Black Hills Stage Lines route, when it actually, when we determine that it will really hurt us, and I mean hurt us financially, that we can no longer afford to subsidize it ourselves, that is the point we say we are not going to cut ourselves right to the bone at that point and kill ourselves. That is the point.

Mr. CURREY. We all do that. I agree. We all do that.

Senator EXON. Which is another way of saying, Mr. Busskohl, that without the subsidies going into that line now that you made earlier, that you could not continue?

Mr. BUSSKOHL. Yes, sir. That is correct.

Senator EXON. Gentlemen, thank you very much for your excellent testimony. We may have some, as I said, some additional questions. Thanks for being here, and we appreciate it very much. You are excused.

The next witness is the last witness, Mr. David Raphael, Executive Director of Rural America. And, David, we have run short on time. But we consider you a very, very important witness. You are last, but not least.

Well, let us proceed with your opening statement now. We will try and hold down our questions, but we certainly do want to hear from your organization representing Rural America.

## STATEMENT OF DAVID RAPHAEL, EXECUTIVE DIRECTOR OF RURAL AMERICA

Mr. RAPHAEL. Well, I appreciate that, Chairman Exon and Senator Pressler. I am delighted to be here. I feel a huge responsibility being the only one on the panel representing the users of transportation services. I do not claim to speak for all rural Americans, but I will try to share my perspective.

My name is Dave Raphael. I am Executive Director of Rural America which is a nonprofit national organization that seeks to serve people in small towns and rural areas.

We work with the 1,000 rural public transit systems throughout the country that have been funded over the last decade to provide transportation services in rural areas. And we also try to represent the interests of people in small towns and rural areas.

I have been with the organization almost twenty years. And for the last six or seven we have been particularly concerned about the transportation issues in rural areas. I think I will cut through to the main points of this statement that we are trying to make. A great deal had been said. I do not want to reiterate the problems that deregulation has caused in terms of declining bus service in rural areas.

I also do not want to pass over the very innovative approaches that we have discussed. We are partners with Greyhound and with UMTA in the rural feeder and rural connection programs. We think that is very important and an exciting response to a problem.

However, I think it is important to put in perspective that the declining intercity bus service is really a part of a broader mobility problem of rural areas and that we must approach it from the broadest perspective.

For millions of Americans, particularly rural Americans, freedom of movement and independence are unavailable. Not only in terms of intercity/interstate travel but in terms of access to jobs, to health care, the grocery store, and any of the other everyday services to which we have ready access.

Historically, the groups in rural America that are most dependent on public transportation are the poor, the elderly, and the disabled. Rural areas have a disproportionate share of each of these groups. With 38 percent of the total population, nonurbanized areas include 40 percent of the elderly, 42 percent of the poor, 43 percent of the disabled. These groups make up the basic ridership of such public transportation as exists in rural America.

Indeed, one of the characteristics that distinguishes rural transportation from urban transit is the fact that most of its ridership is not choosing between cars and transit, but they are choosing between transit and isolation.

National policy has for a long time really failed to respond to rural transit needs, and it continues to allocate the lion's share of federal resources to traditional transit projects and markets at a time when those markets and policies are increasingly coming into question.

Some of the equity and funding issues were raised this morning. Let me just comment on that by saying that although rural people constitute almost 40 percent of our nation's population as defined by the UMTA Act, rural areas receive less than 4 percent of the UMTA funding.

Putting it another way, on a per capita basis, this amounts to roughly $1.25 per capita in rural areas as compared with over $31 per capita in the largest cities.

The real need is to refocus our national transit policies so that they do not discriminate against or in favor of any specific area or specific projects, but instead make individual mobility the goal and measure of success. American independence is through mobility. It should become the basic theme of our national transit policies, and we should seek to assure that no American citizens, urban or rural, go without a job, adequate health care, and a decent quality of life just because they lack transportation.

In 1991, you and your colleagues will be reauthorizing the nation's basic surface transportation act. We urge you to start now to build the record which will help make it possible to refocus our national transportation policies. In the process we can make more efficient use of existing federal transit resources by targeting where they are most needed, and we can broaden the constituencies served, both geographically and numerically. And we can provide efficient, responsive transport services for all of America, which is what our transit policy is really all about.

Thank you. I would be happy to answer any questions, Mr. Chairman.

[The statement follows:]

STATEMENT OF DAVID RAPHAEL, EXECUTIVE DIRECTOR, CENTER FOR COMMUNITY TRANSPORTATION, RURAL AMERICA

Chairman Exon and Members of the Committee, my name is David Raphael and I am the Executive Director of Rural America which operates, largely with funding provided through the Urban Mass Transportation Administration (UMTA), the Center for Community Transportation. The Center's focus is on rural, small urban and specialized transportation and, among other things, we publish a monthly magazine, Community Transportation Reporter (CTR). I appreciate your invitation to share with you our views on interstate and intercity passenger bus service and its relationship to the broader issues of what we call community transportation.

"Reconnecting Rural America" was the theme of the national conference on rural intercity passenger transportation which was just concluded in this city. That conference and the three regional meetings which preceded it reviewed the record of what has happened in rural areas under air, rail and bus deregulation. The statistics are anything but encouraging, particularly relative to intercity bus service.

While the decline in intercity bus service did not begin with deregulation, it should be remembered that deregulation was sold as a way of "making things better." That was not the outcome for small towns and rural communities. Instead, bus deregulation took an adverse trend and made it far worse. According to one study, the rate of decline in scheduled intercity service tripled after deregulation. An analysis by the Interstate Commerce Commission staff found that between 1982 and 1986, in the first few years of deregulation, some 3,400 communities—nine-tenths of them with populations of under 10,000—lost all intercity bus service.

It is worth noting that whereas deregulation of air and rail service were accompanied by specific federal assistance programs to ease the impact on small towns and rural areas, no such transition provisions were made in the case of bus deregulation. One can't help wondering if the difference is in part explained by the different populations involved. Air and rail passengers are primarily business travelers and people with average or above-average incomes. Riders of the intercity bus system tend to be groups with substantially less political and economic clout—the old, the poor and minorities.

The response to this assault on the intercity mobility of rural America has not been simply a wringing of hands. New leadership at Greyhound, the largest firm in the field, recognized that in dropping service to small towns, they had been cutting off a key share of their ridership. In an effort to restore those connections in a cost-effective way, Greyhound has launched, with the cooperation of our organization and the national association of rural transportation providers, a project aimed at developing feeder service relationships between intercity carriers and public transit providers in rural areas and small towns. As you have heard from Greyhound representatives, this Greyhound Rural Connection project is underway and showing real promise. With funding from UMTA, Rural America's Center for Community Transportation is providing technical support to rural providers interested in linking with Greyhound.

But this project, imaginative and important though it is, can hardly be the whole answer. Especially since intercity bus service is only part of the whole problem. The larger issue is the basic one of freedom to move and be independent. For millions of rural Americans, that freedom is unavailable—not only in terms of intercity and interstate travel, but in terms of getting to jobs, health care, the grocery store, or any of the other everyday services to which most of us have ready access.

Historically, the groups that are recognized as most dependent on public transportation are the poor, the elderly and the handicapped. Rural areas have a disproportionate share of each of these groups. With 38 percent of the total population, nonurbanized areas include 40 percent of the elderly, 42 percent of the poor and 43 percent of the disabled. These groups make up the basic ridership of such public transportation as exists in rural America. Indeed, one of the things that distinguishes rural transit from urban transit is the fact that most of its ridership is not choosing between their car and transit—they are choosing between transit and isolation.

Thus, the case can be made that the need for public transportation is as great or even greater in rural areas than in urban America. But national transit policy was a long time in discovering rural transit needs, and it continues to allocate the lion's share of federal resources to traditional transit projects and markets at a time when those markets and policies are increasingly coming into question. As "Equity in Transportation," a booklet prepared earlier this year by the National Association for Transportation Alternatives (NASTA), makes graphically clear, rural areas receive less than 4 percent of UMTA funding, or the equivalent of $1.27 per capita compared with $31.20 per capita in largest urban areas.

While public assistance to rural transit has lagged, the demand for service has consistently outrun available funding. Over the last five years, total obligations under UMTA's Sec. 18 program of assistance to rural public transportation have averaged nearly $100 million annually, some 15 percent above the appropriated levels. This has been possible only because of carry-over funds from the early years of the program and transfers into Sec. 18 of unneeded funds from other areas. Both of these sources are things of the past. It is important to stress this situation because the only proposal UMTA has made for direct assistance to the intercity bus industry is to remind states that intercity service is eligible for Sec. 18 assistance. That proposal truly amounts to robbing Peter to pay Paul.

The real need is to re-focus national transit policy so that it does not discriminate against or in favor of specific areas or specific projects but instead makes individual mobility the goal and the measure of success. American Independence through Mobility (AIM) should become the basic theme of our national transit policies and we should seek to assure that no American—urban or rural—goes without a job, adequate health care and a decent quality of life just because of a lack of transportation.

In 1991, you and your colleagues will be reauthorizing the nation's basic surface transportation assistance legislation. We urge you to start now to build the record which will make possible the re-focusing of transit policy that we believe is so essential. In the process, we can make more efficient use of existing federal resources by targeting them where they are most needed, we can broaden the constituency served (both geographically and numerically), and we can provide efficient and responsive transport services for people—which is what it is all about.

Thank you.

Senator EXON. Mr. Raphael, thank you very much for your testimony. One of the reasons for holding this hearing today is to start looking forward to 1991.

We are also interested in seeing what we can do before that time. And I think you would agree we just cannot march in place until 1991, or some of our transportation facilities now allow the testimony from the local operators would indicate that things could get worse before they got better unless we move in certain areas.

Mr. RAPHAEL. Right.

Senator EXON. Now, let me give you a chance to expand a little bit more, although you have touched on it. Your testimony that you give ties in with the ICC testimony and all the other things. But the ICC stated that while the Bus Regulatory Reform Act of 1982 did not arrest the decline in the bus industry, ridership, and earnings, the industry would be in a worse condition without the reform included in the Act. Would you care to comment on this?

I guess that I would say that the industry as a whole would be in worse shape nationally, major city point to major city point if we did not have deregulation. And this certainly has helped some to start to get some of the bus companies through mergers and other changes in a financial situation where they could make it. I am not sure that that Act of 1982 has done anything but caused great stress by and large in rural America. And which harkens back to what I tried to tune in on later, the government has a responsibility I think they did not automatically shun by the 1982 Act as some people in government seem to believe.

Mr. RAPHAEL. Well, as we tried to say in my testimony, the decline of bus transportation in rural areas is a phenomena that has been going on for twenty years. I think it has been accelerated since 1982 as a result of the bus deregulation legislation. Whether we would be better off or worse off is difficult to say.

I did try to note that when we deregulated other industries, other transit sectors, airlines and rail, for example, we provided subsidies to deal with the most critical hardships, such as essential air service support. And yet, with bus deregulation in rural communities, the lower income, elderly, and poor people who have little alternatives have really no cushion on to protect them.

So we are very conscious in that deregulatory environment, we subsidized air travel for one sector, and we really did not provide the cushions for intercity bus passengers who are really very much the same constituency that rides rural community buses. And these are people who really do not have alternatives, for them. We are really talking about basic mobility.

I think in this environment and given the creative approaches that many of the bus companies have made, especially Greyhound which you have heard here today, we should use this as an opportunity to rethink how to provide both types of services, and how to utilize this national network that is in place of rural carriers to feed them. That is a very hopeful prospect.

But I think it is important to recognize that rural people, have dual needs. They have the need to meet local transit services, access to jobs, and simple basic mobility locally. And they have to

travel outside the community to reach friends, relatives, and to meet employment needs.

In the absence of any other support; there is a tendency to pit the need for intercity transit against the needs for local transportation services. And all the figures you have heard in todays testimony show how limited the resources currently available are.

The bottom line is that 96 percent of public transit resources are really not available to people in rural areas. And what has been happening is a certain tendency to have to compete between intercity needs and very critical local needs. And we really want to try to avoid that.

Senator EXON. Thank you, Mr. Raphael. Senator Pressler.

Senator PRESSLER. Yes. You may wish to answer this for the record in more depth. Do you think rural Americans are getting their fair share of available federal transportation funds? You have already alluded to that by pointing out that when buses were deregulated, there was not any subsidy.

Under the 1932 Common Carrier Act, there were no subsidies. Companies were essentially forced to subsidize poor routes by getting some rich routes with federal funds and there was a shifting.

Mr. RAPHAEL. Right.

Senator PRESSLER. Or they were forced to develop new routes. Now, we have gone to a different approach. Indeed, I would like to be able to promise that we could deliver a billion or two. But it is just hard to do with the current fiscal situation, and I feel that we are not getting a fair share.

What specifically can we do as a group to get this job done so we do get a fair share of the funds? You are one of the leading organizers of rural America. How can we pull all of the elements together?

Mr. RAPHAEL. Well, I do not think it is a fair distribution currently. I think it is important to recognize that the underpinnings for this rural feeder and rural connection program that we have been talking about reflects the existing foundation that was laid through the rural public transit program. Without that limited 52 to 65 million dollars a year, we would not have had a network in place that could develop rural bus this feeder system with Greyhound.

So that Mr. Currey's proposal to double rural funding immediately, is important. This is not the 1991 proposal, but immediately. And the Senate has been traditionally very responsive, more than the other body I might add, to recognizing the disproportionate needs, the history of neglect and inequity in rural transportation.

I think the immediate need would be for a modest program, with recognition of the budgetary constraints, to increase that core support for local public transit services which have a very direct connection into this immediate problem, and then to join with others in 1991 for a more substantial restructuring of transit legislation.

We have an educational job to do in rural communities. The mayors and local officials you talk about desperately need to be involved. The Congress needs to look at what a national transit policy is, what are the priorities within a budget. How do you reconcile rail transportation, for example, for commuters in Fairfax County, Virginia, where I live with the very basic mobility needs of

people in Valentine, Nebraska and the communities that we have been talking about these last several days? It is a question of priorities and a question of allocating the resources in the most cost-effective way.

Senator PRESSLER. Thank you.

Senator EXON. Thank you, Senator Pressler. Mr. Raphael, just let me say in conclusion that you have delivered the message for the many people who did not appear before the subcommittee today, and we appreciate that very much.

I would simply say that one of the reasons that we have difficulty with the House of Representatives, of course, is that that body by design of the founding fathers is based on population. And there are a whole lot more people that live in Virginia than there are in many of the less-populus states.

Therefore, just in conclusion to decide once again what I started out in saying, I, as chairman of this subcommittee that will have something to say about this, do not want to hear criticism of the Amtrak program. I do not want to hear criticism of the essential air service program. I do not want to hear taking money from mass transit and putting it into rural America because that will kill us in the House of Representatives. That is a political decision that you have to, do not fully understand until you're back there wrestling with it, as we do all the time and as you do.

I think what we are going to have to say is that there is a need that needs filling here.

Mr. RAPHAEL. Yes.

Senator EXON. There are other moneys in the federal budget that we do not have to subtract from something else.

Mr. RAPHAEL. I agree.

Senator EXON. And just recognize that compared with the national budget, the need here and dollarwise and that is why I was asking for some dollar figures, is so minuscule that we can finally get somewhere if we have the will. I think we have the will. I think we will have the understanding of our people of the more populus states. Cooperation, working together is the name of the game, and that is where we are going.

Mr. RAPHAEL. With your leadership and that of other members of the subcommittee, we can certainly get there. I appreciate your willingness to hold these hearings today.

Senator EXON. Thank you very much, Mr. Raphael. We appreciate the testimony of all of our witnesses. And keep in touch. And we are adjourned.

[Whereupon at 12:05 p.m. the hearing was adjourned.]

[The following information was subsequently received for the record:]

STATEMENT OF STEPHEN STILES, AARP TRANSPORTATION

Rural passenger transportation is an issue of AARP concern. We believe mobility to be an essential element of personal independence, the support of which is a major theme of the Association. AARP addresses transportation needs to help preserve the mobility of all persons.

The availability of transportation between communities is inextricably linked to transport options within communities. Access to stores and services between towns is necessary in many rural areas—access within town is critical in all areas. Barriers to accessibility must be overcome in both.

Public policy traditionally embraces roadways as a shared responsibility of federal, state, and local government. This recognizes the common mobility interests of society members as drivers. What about those who do not drive? Must we not provide access to alternative transport options for these society members as well?

Inter and intracity transportation systems are needed, and government is well-positioned to coordinate service delivery. A comprehensive framework that meets the needs of drivers and non-drivers alike is possible; a better balance of public spending on roadway and transit systems can be struck. But toward what end?

The public and its various interest groups must demonstrate need of service. Community coalitions must clearly define local needs, and must band with other communities to attain coordinated approaches. From this will come effective advocacy efforts and, ultimately, effective service delivery. Efficient system operations are also required. Just as demand drives service, so does it determine cost.

AARP can aid the development of transportation service. Local chapters and units can join community coalitions, depending on members' interests. State-level AARP volunteers can bring attention to and assist the coordinating requirements of transportation. The Association's national office is already joined with many others at the national level in addressing transportation as a mobility issue.

We represent many of the present and future users of transportation systems, and we welcome the ideas and initiatives for which our support is sought.

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GREAT PLAINS CHAPTER,
PARALYZED VETERANS OF AMERICA, INC.,
*Ralston, NE, September 9, 1988.*

Senator J.J. EXON,
*U.S. Senate, Washington, DC.*

DEAR SENATOR EXON: I am a member of the Great Plains Paralyzed Veterans of America (G.P.P.V.A.), and was notified by the Washington D.C. National Office of the P.V.A. on the week of August 15 that the referenced hearing was scheduled. I contacted your Omaha office in an attempt to have an opportunity to testify at this hearing, but due to some communications mix-up, I did not get on the agenda. I am, therefore, submitting the G.P.P.V.A.'s position on this important issue.

During the hearing, there were a panel of three federal witnesses, two state witnesses, three transportation providers and one transportation user who was from Washington, D.C. I would like to present a viewpoint as a native Nebraskan, medically retired Air Force Officer, and a member of the Paralyzed Veterans of America. As a disabled veteran, I have some strong feelings about the accessibility of bus transportation to a severely disabled person. To my knowledge, there are not any buses either operating on an interstate or intrastate route that is capable of lifting a wheelchair and its disabled passenger into a bus. This fact makes it impossible for some disabled persons to be transported by bus. The City of Omaha does have a bus specifically designed to carry severely disabled persons. Unfortunately, there was a case where two severely handicapped persons were refused service because they wanted to be transported to work and not just to the doctor or for shopping. As a result, they could not take a job. What makes the bus transportation critical in the state of Nebraska is that there are no other public conveyances available in many Nebraska cities and towns. Most do not have airlines or Amtrak service to their communities.

There have been situations where a disabled veteran had to get to a VA hospital for treatment or evaluation and the only transportation possible was by private auto. I ask that the Senate Subcommittee on Transportation look towards a resolution of this problem and make buses available to the severly disabled.

Sincerely,

EDWIN L. KEUTER,
*Advocacy/Legislation.*

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